Financial Statements and Report of Independent Certified Public Accountants

Douglas County Lake Tahoe Sewer Authority

June 30, 2022

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EideBailly

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

Opinions

We have audited the accompanying financial statements of the business-type activities of Douglas County Lake Tahoe Sewer Authority (the Authority) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Authority, as of June 30, 2022, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibility of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10, schedule of the Authority contributions on page 34, schedule of proportionate share of the net pension liability on page 35, notes to required supplementary information – net pension liability, page 36, schedule of changes in the Authority's total OPEB liability and related ratios on page 37, and the notes to required supplementary information – total OPEB liability, page 38, be presented to supplement 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic 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 presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the statement of revenues, expenses and changes in net position – budget and actual and the statement of cash flows – budget and actual 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 our report dated November 9, 2022 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 the Authority's internal control over financial reporting and compliance.

Eide Bailly LLP

Reno, Nevada
November 9, 2022

Douglas County Lake Tahoe Sewer Authority

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

June 30, 2022

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, 2022.

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. Aeration basins were re-coated and fine bubble diffusers and hybrid blowers were installed, bringing the aeration technology at the plant into the 21st century. A headworks package which combines grit and grease removal was installed. Altogether, these upgrades significantly reduce the amount of nitrogen from DCLTSA's effluent byproduct, a desirable outcome according to the Nevada Division of Environmental Protection (NDEP). Construction of that project was finished in the 2022 fiscal year. Only preparation of the Operations and Maintenance manual required by NDEP remains to close the project out.

The new equipment and technology changed many aspects of the wastewater treatment process. To adapt to those changes, in-house talent was utilized to construct additional components upgrading the plant. Over the course of the fiscal year, approximately $133,000 was spent on smaller equipment, which was piped and installed by employees, saving the Authority hundreds of thousands of dollars. The plant upgrades included an expansion of the Supervisory Control and Data Acquisition (SCADA) system, which relays real-time information about plant processes remotely. The project and additional improvements enabled management to move away from staffing the plant 10 hours on weekend days, thereby saving on personnel costs.

As of June 30, 2022, $8,999,252 has been drawn down on the loan. Until the loan is closed out, at the $9,000,000 amount, only debt service interest is being charged at the rate of 2.08%. In fiscal year 2022, $161,125 interest was paid on the loan. The projected loan close-out date is October 1, 2022, and payment on the loan principal will begin January 1, 2023.

Near the end of the 2022 fiscal year, the Authority's Board of Trustees approved a system-wide assessment of DCLTSA's collection system, much of which is more than 50 years old. The assessment will cost approximately $200,000 in the coming year and will provide the necessary information to prioritize repair or replacement of line segments as may be needed in the years ahead.

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 2022, 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, 2021. Per that report, over the past fiscal year the Authority's proportionate share of the PERS liability decreased by $650,511 or 30.9%.

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 actuarial evaluation was completed this year by MacLeod Watts, resulting in an increase to the Authority's OPEB liability of $74,360 or 8.0%.

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.

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.

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 more than $36 million at the close of the 2022 fiscal year. The current fiscal year's net position is $563,845 more 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.

26.2% or $9,438,700 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 $3,363,739 as of June 30, 2022 may be used to support operating and maintenance expenses.

As shown in Table A-2, for the fiscal year 2022, total revenues decreased by $326,561 or 5.8%. This decrease is largely due to fewer capacity fees from commercial projects, and lower investment interest rates.

Total expenses including depreciation and amortization decreased by $962,332 or 16.9%. The prior year's expenses included a $917,557 loss on the disposal of the Emergency Underground Storage Facility which represents most of the year-to-year decrease.

Financial Analysis of the Authority – Continued

Sewer user charges include operations and maintenance costs as well as a capital assessment. The capital assessment for Fiscal Year 2022 increased by $250,000, however operating expenses decreased by $222,102 or 7.7%. Cumulatively, those factors resulted in the decrease of sewer user charges by $56,969 or 1.1%.

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 2022, operating expenses including depreciation were $595,172 or 11.6% less than budgeted. The Authority initially budgeted an operating increase in net position of $180,791. However, at year end, the actual operating increase was $575,804 with an overall $563,845 increase in net position.

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. For Fiscal Year 2022, the Authority's reduced operating expenses result in two districts receiving 9.2% and 21.0% rate decreases. The adjustment resulted in one district owing 4.7% in increased fees due to that district's higher than anticipated flow percentage. The refunds/increases will be credited or charged to the third quarter invoices of the coming fiscal year.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2022, the Authority's capital assets amounted to $32,805,651 net of accumulated depreciation and amortization as shown in Table A-3, an increase of $1,864,626, attributable to the Aeration Basins/Plant Upgrade project.

During the year, $3.76 million were spent on the Authority's capital improvement projects and the replacement of operating equipment. Almost $3.19 million was spent on the Plant Upgrades Project, which is close to being completed. Piping modifications and pump installations related to the Plant Upgrades Project were performed by in-house staff, saving the Authority money rather than paying contract labor.

In fiscal year 2023, the Plant Upgrades Project will be completed, and work will commence to upgrade the electrical and pumping systems at two off-site pump stations. Including debt service on the State Revolving Fund Loans, capital expenditures for the coming year are expected to be approximately $2.46 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, in past years accounting for 90% 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.

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

After businesses re-opened following the pandemic, the casinos and hotels were recovering from the economic set-back of the 2020 fiscal year. Then in August and September of 2021, peak tourist times for Lake Tahoe, the area was shrouded with wildfire smoke, with businesses closing down for more than a week in September, as town was evacuated. These factors combined to the detriment of our largest users, so that the casino/hotel contribution was less than 84% of commercial flows.

That sharp decrease in flow percentage is due not just to the wildfire event, but also because one of the casinos, the Lakeside Inn, shut its doors permanently during the pandemic and was purchased by Barton Hospital. During the 2022 fiscal year all water flow from there ceased pending the building of a new medical facility. Despite these factors, commercial flows in 2021 increased more than 13% from the previous (pandemic) year. Overall, flows from all sources decreased by 4.24%.

The fiscal year 2023 budget reflects operating expenses that total $5,605,523 including depreciation and amortization, an increase of 9.1% over those budgeted for fiscal year 2022. The increase in estimated operating expenses is attributable to expected higher depreciation expenses from capitalizing the Plant Upgrades Project. Budgeted operating expenses minus depreciation in fiscal year 2023 are less than $26,000 over the previous year's.

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 2023 fiscal year In-Authority residential rates were raised approximately 5.5%. Rates to the participating districts vary, according to their flow contributions. One district's rates increased 10% due to an expected higher flow percentage. One district's rates increased by 0.7%, and another's decreased by 3.3%. In-Authority commercial rates increased by 5.2% to $12.48 per 1,000 gallons.

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/
	2022	2021	(Decrease)
Current, restricted and other assets	$ 16,397,402	$15,047,306	$ 1,350,096
Long term restricted assets	245,000	-	245,000
Capital assets	32,805,651	30,941,025	1,864,626
Total assets	49,448,053	45,988,331	3,459,722
Deferred outflows of resources	1,055,012	377,662	677,350
Total liabilities	12,880,935	10,255,199	2,625,736
Deferred inflows of resources	1,602,580	655,089	947,491
Net position			
Invested in capital assets	23,217,111	24,851,591	(1,634,480)
Restricted	9,438,700	7,275,111	2,163,589
Unrestricted	3,363,739	3,329,003	34,736
Total net position	$ 36,019,550	$35,455,705	$ 563,845

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

	June 30,		Increase/
	2022	2021	(Decrease)
Operating revenues			
Sewer user charges	$ 5,087,809	$ 5,144,778	$ (56,969)
Other income	31,263	87,398	(56,135)
Nonoperating revenues	189,374	402,831	(213,457)
Total revenues	5,308,446	5,635,007	(326,561)
Operating expenses	2,673,351	2,895,453	(222,102)
Depreciation and amortization	1,869,917	1,812,878	57,039
Loss on disposal of assets	21,104	917,557	(896,453)
Debt service interest	180,229	81,045	99,184
Total expenses	4,744,601	5,706,933	(962,332)
CHANGE IN NET POSITION	563,845	(71,926)	635,771
Net position, beginning of year	35,455,705	35,527,631	(71,926)
Net position, end of year	$ 36,019,550	$35,455,705	$ 563,845

Table A-3
Capital Assets

	June 30, 2022	June 30, 2021	Increase/ (Decrease)
Land	$ 1,103,434	$ 1,103,434	$ -
Plant and lines	52,507,932	53,495,375	(987,443)
Equipment and other assets	4,859,162	4,804,807	54,355
Leasehold improvements	798,812	798,812	-
Construction in progress	9,619,269	6,150,939	3,468,330
	68,888,609	66,353,367	2,535,242
Less: Accumulated depreciation and amortization	(36,082,958)	(35,412,342)	(670,616)
Net property, plant, equipment and leasehold improvements	$ 32,805,651	$30,941,025	$ 1,864,626

FINANCIAL STATEMENTS

Douglas County Lake Tahoe Sewer Authority

STATEMENT OF NET POSITION

June 30, 2022

ASSETS

CURRENT ASSETS	
Cash	$ 730,132
Cash equivalents	376,882
Investments in LGIP	5,469,880
Cash in custody of other governments	22,997
Accounts receivable	64,634
Supply inventory	37,348
Prepaid expenses	136,227
Interest receivable	4,631
Total current assets	6,842,731
RESTRICTED ASSETS	
Repair and replacement	
Cash	286,395
Cash equivalents	1,168,146
Investments in LGIP	1,757,449
Short-term certificate of deposit investments	490,000
Interest receivable	4,023
	3,706,013
Construction	
Cash	1,333,036
Investments in LGIP	3,659,905
Interest receivable	1,466
Restricted investments	772,941
	5,767,348
Total current restricted assets	9,473,361
RESTRICTED LONG-TERM ASSETS	
Repair and replacement	
Long-term certificate of deposit investments	245,000
Total restricted long-term assets	245,000
CAPITAL ASSETS	
Capital assets not being depreciated	10,722,703
Capital assets being depreciated, net	22,082,948
	32,805,651
OTHER ASSETS	
Deposits	81,310
Total other assets	81,310
Total assets	$ 49,448,053

DEFERRED OUTFLOWS OF RESOURCES

Pension requirement	$ 918,086
Postemployment retirement obligation	136,926
Total deferred outflows of resources	$ 1,055,012

Douglas County Lake Tahoe Sewer Authority

STATEMENT OF NET POSITION - Continued

June 30, 2022

LIABILITIES

CURRENT LIABILITIES, payable from current assets	
Accounts payable	$ 349,112
Accrued compensation and other expenses	148,103
Current portion of long-term debt	123,281
Total current liabilities payable from current assets	620,496
CURRENT LIABILITIES, payable from restricted assets	
Construction	
Accounts payable	279,661
Total current liabilities payable from restricted assets	279,661
NONCURRENT LIABILITIES	
Accrued compensation	52,378
OPEB liability	1,007,559
PERS proportionate liability	1,455,582
Long-term debt, less current portion	9,465,259
Total liabilities	12,880,935

DEFERRED INFLOWS OF RESOURCES

Pension requirement	1,511,984
Postemployment retirement obligation	90,596
Total deferred inflows of resources	1,602,580

NET POSITION

Net investment in capital assets	23,217,111
Restricted for construction	5,487,687
Restricted for repair and replacement	3,951,013
	9,438,700
Unrestricted	3,363,739
Total net position	$ 36,019,550

Douglas County Lake Tahoe Sewer Authority

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year Ended June 30, 2022

Operating revenues	
Charges for services and assessments	$ 5,087,809
Other income	31,263
	5,119,072
Operating expenses	
Salaries, wages and benefits	1,583,879
Electrical and other utilities	370,023
Chemicals and supplies	76,313
Legal and accounting	90,527
Engineering and consulting	61,151
Repairs and maintenance	194,203
Insurance	87,440
Fuels and lubricants	24,760
Other operating expenses	185,055
Depreciation and amortization	1,869,917
	4,543,268
Operating gain (loss)	575,804
Nonoperating revenues (expenses)	
Consolidated taxes	137,984
Interest income	47,350
Debt service interest	(180,229)
Gain (loss) on disposal of assets	(21,104)
Capacity fees	4,040
	(11,959)
CHANGE IN NET POSITION	563,845
Net position - beginning of year	35,455,705
Net position - end of year	$ 36,019,550

Douglas County Lake Tahoe Sewer Authority

STATEMENT OF CASH FLOWS

Year Ended June 30, 2022

Cash flows from operating activities:	
Cash received from customers	$ 5,333,093
Cash payments to suppliers for goods and services	(1,352,600)
Cash payments to employees for services including benefits	(1,909,242)
Deposits refundable	(15,758)
Net cash provided by operating activities	2,055,493
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(3,989,043)
Consolidated taxes	137,984
Cash loss from disposal of asset	(21,104)
Cash received for capacity fees	4,040
State revolving fund loan proceeds	3,618,639
Debt service interest	(180,229)
Payments on long-term debt	(119,533)
Net cash used in capital and related financing activities	(549,246)
Cash flows from investing activities:	
Restricted investments	(7,788)
Interest income on investments	40,330
Net cash provided by investing activities	32,542
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,538,789
Cash and cash equivalents at beginning of year	13,266,033
Cash and cash equivalents at end of year	$ 14,804,822
Reconciliation of operating loss to net cash provided by operating activities:	
Operating gain (loss)	$ 575,804
Adjustments to reconcile operating gain (loss) to net cash provided by operating activities:	
Depreciation and amortization	1,869,917
Net pension expense	(281,408)
Net other post employment benefits expense	(24,602)
Change in assets and liabilities:	
Supply inventory	(5,884)
Prepaid expenses	(104,260)
Accounts receivable	68,645
Deposits refundable	(15,758)
Accounts payable and accrued liabilities	(26,961)
Total adjustments	1,479,689
Net cash provided by operating activities	$ 2,055,493

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"/ "DCLTSA")(the Authority/DCLTSA). All duties of the District, all assets, liabilities, contracts, and accounting procedures were transferred to and 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/replacement and capital 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) 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.

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. 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, 2022 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.

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

7. Accrued Vacation and Sick Leave

All vacation pay is accrued in the financial statements when it is earned. DCLTSA'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, 2022 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 Statement 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 G and Note H, respectively.

In addition to liabilities, the Statement 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 G and Note H, respectively.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 Plant Repair and Replacement Fund and restricted as to application for the purpose of making emergency repairs, reconstructing repairs or expanding the Authority's sewage system.

NOTE C - RESTRICTED ASSETS - Continued

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/CASH EQUIVALENTS AND INVESTMENTS

As of June 30, 2022, the Authority has cash deposits in the amount of $2,349,563 and the amount is carried at cost. The bank's balance of $2,423,196 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, 2022.

Investments are held 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, 2022, investments of $10,887,234 are on deposit with LGIP and $1,545,028 are on deposit in interest bearing checking and money market accounts. In addition, cash in custody of other governments is considered a cash equivalent.

Cash/cash equivalents and investments in the LGIP totaled the following at June 30, 2022:

Operating	
Cash	$ 730,132
Cash equivalents	376,882
Investments in LGIP	5,469,880
Cash in custody of other governments	22,997
Repair and replacement	
Cash	286,395
Cash equivalents	1,168,146
Investments in LGIP	1,757,449
Construction	
Cash	1,333,036
Cash equivalents	-
Investments in LGIP	3,659,905
	$ 14,804,822

NOTE D - CASH/CASH EQUIVALENTS AND INVESTMENTS - Continued

The Authority's investment holdings in certificates of deposit as of June 30, 2022 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 two (2) certificates of deposit of $245,000 each will mature before June 30, 2022. These policies minimize the Authority's interest rate risk.

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, 2022, the following investments exceed 5% of the Authority's investments:

Bank	Percentage
Capital One Bank USA National	33%
JP Morgan Chase Bank North America	33%
Goldman Sachs Bank USA	33%

NOTE E - PROPERTY, PLANT, EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Property, plant, equipment and leasehold improvements consist of the following as of June 30, 2022:

	2021	Additions	Deletions	2022
Capital assets being depreciated				
Wastewater reclamation plant and lines	$ 41,520,414	$ 47,289	$ (1,034,732)	$ 40,532,971
Collection lines	1,881,779	-	-	1,881,779
Equipment and other assets	4,804,806	246,029	(191,673)	4,859,162
Leasehold improvements	798,812	-	-	798,812
Effluent disposal facility	10,093,182	-	-	10,093,182
	59,098,993	293,318	(1,226,405)	58,165,906
Less accumulated depreciation and amortization				
Wastewater reclamation plant and lines	(25,221,188)	(1,221,767)	1,029,539	(25,413,416)
Collection lines	(1,067,470)	(63,200)	-	(1,130,670)
Equipment and other assets	(2,677,364)	(379,170)	169,762	(2,886,772)
Leasehold improvements	(799,051)	(943)		(799,994)
Effluent disposal facility	(5,647,269)	(204,837)	-	(5,852,106)
	(35,412,342)	(1,869,917)	1,199,301	(36,082,958)
Net capital assets being depreciated	23,686,651	(1,576,599)	(27,104)	22,082,948
Capital assets not being depreciated				
Land	1,103,434	-	-	1,103,434
Construction in progress	6,150,940	3,513,892	(45,563)	9,619,269
Net capital assets not being depreciated	7,254,374	3,513,892	(45,563)	10,722,703
	$ 30,941,025	$ 1,937,293	$ (72,667)	$ 32,805,651

NOTE F - 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 2022 year, $77,942 of the loan principal was repaid, leaving the Authority with a balance of $338,048 at June 30, 2022. In connection with this loan, $140,497 of the Authority's funds are held by the Local Government Investment Pool as collateral and are restricted for use by the Authority.

NOTE F - LONG-TERM DEBT– Continued

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 2022 year, $41,592 of the loan principal was repaid, leaving the Authority with a balance of $251,240 at June 30, 2022.

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, ten percent (10%) of each draw amount was transferred to the Authority's bond reserve account at the Local Government Investment Pool as collateral until the balance reached $632,236. Those funds are restricted for use by the Authority. Interest on loan funds disbursed under the most recent contract accrues 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 2022 fiscal year, four (4) draws were made on the loan in the amount of $3,618,640. On June 30, 2022, the balance of the loan was $8,999,252. 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 2022 year, $161,125 was paid as interest on the third loan.

Following is a summary of the activity in the notes payable account regarding the above-three loans for the year ended June 30, 2022:

	Principal Outstanding June 30, 2021	Additions/ Issued	Payments	Principal Outstanding June 30, 2022	Current Portion June 30, 2023
Direct Borrowing					
Note 1	$ 415,990	$ -	$ 77,942	$ 338,048	$ 80,485
Note 2	292,832	-	41,592	251,240	42,796
	708,822	-	119,534	589,288	123,281
Construction loan					
Note 3	5,380,612	3,618,640	-	8,999,252	-
	$ 6,089,434	$ 3,618,640	$ 119,534	$ 9,588,540	$ 123,281

NOTE F - LONG-TERM DEBT – Continued

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,			
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	47,972	1,741	49,714
2028	24,505	352	24,857
	$ 589,288	$ 47,270	$ 636,559

*Annual requirements do not include the construction loan Note 3 as it was not finalized at June 30, 2022.

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 G - 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 223 participating employers. There are no non-employer contributing entities identified in the 2021 GASB 68 Report or the 2021 ACFR 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. DCLTSA's employees 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 an Annual Comprehensive 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.

NOTE G - PENSION PLAN - Continued

1. Plan Description - Continued

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 NR 286.575-579.

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. DCLTSA 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.

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 Normal 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.

NOTE G - PENSION PLAN - Continued

1. Plan Description - Continued

For the fiscal year ended June 30, 2021 the Statutory Employer-Pay contribution rate for Regular Members was 29.25%. For the fiscal year ended June 30, 2022 the Statutory Employer-Pay contribution rate for Regular Members was 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 $326,667 for the year ended June 30, 2022. Of this amount, $163,333 was classified as Employer contributions and $163,334 was classified as Member contributions.

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

At June 30, 2022, the Authority reported a liability of $1,455,582 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2021. At June 30, 2021, the Authority's portion was .01596 percent of the total, which was an increase of .00084% from its proportion measured at June 30, 2020.

For the year ended June 30, 2022, the Authority recognized pension expense of $(118,074). At June 30, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

The $163,333 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 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 6.14 years for the measurement period ending June 30, 2021. The amount reported as deferred outflows (inflows)of resources will be recognized in pension expense as follows:

Reporting period ending June 30,	
2023	$ (257,345)
2024	(238,231)
2025	(203,021)
2026	(199,549)
2027	123,059
2028	17,856
	$ (757,231)

NOTE G - PENSION PLAN - Continued

3. Actuarial Assumptions

The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Payroll Growth	3.5%, including inflation
Productivity pay increases	0.50%
Projected salary increases	4.20% - 9.10%, depending on service and including inflation and productivity increases
Investment rate of return	7.25%
Consumer Price Index	2.50%
Post-Retirement Benefit increases	2.75%, in line with inflation

Mortality rates for healthy regular members and contingent beneficiaries were based on Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Table with rates increased by 30% for males and 15% for females. For ages before age 40, mortality rates are based on Pub-2010 General Employee Amount-Weighted Above-Median Mortality Tables. For ages 40 through 50, the rates were smoothed between the above tables.

Mortality rates for disabled regular members were based on Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Table with rates increased by 20% for males and 15% for females.

Mortality rates for current beneficiaries were based on Pub-2010 Contingent Survivor Amount-Weighted Above-Median Mortality Table with rates increased by 15% for males and 30% for females. For ages before age 35, mortality rates are based on Pub-2010 General Employee Amount-Weighted Above-Median Mortality Table. For ages 35 through 45, the rates were smoothed between the above tables.

Mortality rates for pre-retirement regular members were based on Pub-2010 General Employee Amount-Weighted Above-Median Mortality Table.

The mortality tables were projected generationally with the two-dimensional mortality improvement scale MP-2020.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial valuation completed on June 30, 2020.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2021.

NOTE G - PENSION PLAN - Continued

3. Actuarial Assumptions - Continued

Change in Assumptions – The PERS plan reflects the following change in assumptions from June 30, 2020 to June 30, 2021:

- The inflation rate decreased from 2.75% to 2.50%.
- Payroll growth decreased from 5.00% to 3.50%.
- Investment rate of return decreased from 7.50% to 7.25%.
- Projected salary increases declined from 4.25% to 9.15% to 4.20% to 9.10% for Regular members.
- The consumer price index decreased from 2.75% to 2.50%.
- Mortality rates were changed from Headcount-Weighted RP-2014 Tables to Pub-2010 Mortality Tables.
- Future mortality improvement was changed from 6 years to the Generational Projection Scale MP-2020.

PERS Investment Policy – PERS' policies which determine the investment portfolio target asset allocation are established by the PERS Board. The asset allocation is reviewed annually and is designed to meet the future risk and return needs of the System.

The following was the PERS' Board adopted policy target asset allocation as of June 30, 2021:

Asset Class	Target Allocation	Long-Term Geometric Expected Real Rate of Return*
U.S. stocks	42%	5.50%
International stocks	18%	5.50%
U.S. bonds	28%	0.75%
Private markets	12%	6.65%

**As of June 30, 2021, PERS' long-term inflation assumption was 2.50%*

Discount rate. The discount rate used to measure the total pension liability was 7.25% as of June 30, 2021, which decreased from 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, 2021 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, 2021.

NOTE G - PENSION PLAN - Continued

3. Actuarial Assumptions - Continued

Pension liability discount rate sensitivity. The following represents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.25%, 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 (6.25%) or 1 percentage point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
The Authority's proportional share of the net pension liability	$ 2,898,017	$ 1,455,582	$ 265,691

NOTE H - 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 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 Authority 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.

NOTE H - OTHER POST-EMPLOYMENT BENEFITS - Continued

2. Funding Policy - Continued

For fiscal year 2022, the Authority contributed $37,781 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 $537 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 2022, the Authority's contributions toward the PEBP plan totaled $16,637. These amounts vary by year due to state Department of Administration changes in the subsidy limits.

3. Employees covered by benefit term

At the measurement date of June 30, 2021, the following employees were covered by the benefit terms:

Authority Plan	
Active employees	12
Retirees and surviving spouses	10
Active plan members	22
PEBP	
Inactive employees or beneficiaries currently receiving benefit payments	5
Inactive employees entitled to, but not yet receiving benefit payments	-
Active plan members	-
	5

NOTE H - OTHER POST-EMPLOYMENT BENEFITS - Continued

4. Actuarial Methods and Assumptions

The actuary firm of MacLeod Watts, performed a valuation of the Authority Plan and the PEBP, dated June 30, 2021.

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	6/30/21	6/30/21
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	5.8% in 2023, fluctuates to ultimate rate of 3.9% in 2076 and later	5.8% in 2023, fluctuates to ultimate rate of 3.9% in 2076 and later
Salary increases	3%	3%
Discount rate	1.92%	1.92%
Retirement age	45 to 75	45 to 75
Mortality	Headcount weighted RP 2014 Healthy Annuitant (includes MP 2014 proj to 2014)(Base rates (2000) set forward 1 year)	Headcount weighted RP 2014 Healthy Annuitant (includes MP 2014 proj to 2014)(Base rates (2000) set forward 1 year)
Mortality Improvement	MW Scale 2022 proj from 2018 forward	MW Scale 2022 proj from 2018 forward

The actuarial assumptions used in the June 30, 2021 valuation, were based on actual census data.

5. Discount Rate

The discount rate is the same for both Plans. The discount rate at the roll forward measurement date was 1.92% reflecting the change in the municipal bond rate, for Fidelity Municipal Bond AA 20 Year Maturity Yield as of June 30, 2021. The discount rate at the 2020 valuation date was 2.45% based on the Fidelity Municipal Bond AA 20 Year Maturity Yield as of June 30, 2020. Benefit payments are funded on a pay-as you go basis.

NOTE H - OTHER POST-EMPLOYMENT BENEFITS - Continued

6. Changes in the Total OPEB Liabilities

	Authority Plan	PEBP	Total
Balance, July 1, 2021	$ 593,535	$ 339,664	$ 933,199
Changes for year			
Service cost	15,374	-	15,374
Interest	14,577	8,103	22,680
Difference between expected and actual experience	24,541	(5,782)	18,759
Changes in assumptions or other inputs	40,800	22,497	63,297
Benefit payments	(27,876)	(17,874)	(45,750)
Net changes	67,416	6,944	74,360
Balance, June 30, 2022	$ 660,951	$ 346,608	$ 1,007,559

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

The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (0.92%) or 1-percentage-point higher (2.92) than the current discount rate:

	1% Decrease in Discount Rate (0.92%)	Discount Rate (1.92%)	1% Increase in Discount Rate (2.92%)
Authority Plan	$ 745,824	$ 660,951	$ 591,156
PEBP	389,111	346,608	310,849
Total OPEB liability	$ 1,134,935	$ 1,007,559	$ 902,005

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

The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (4.80% decreasing to 2.90%) or 1-percentage-point higher (6.80% decreasing to 4.90%) than the current healthcare cost trend rates.

	1% Decrease	Health Care Cost Trend	1% Increase
Authority Plan	$ 660,951	$ 660,951	$ 660,951
PEBP	312,971	346,608	385,543
Total OPEB liability	$ 973,922	$ 1,007,559	$ 1,046,494

NOTE H - OTHER POST-EMPLOYMENT BENEFITS - Continued

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

For the year ended June 30, 2022, the Authority recognized OPEB expense of $4,998 for the Authority Plan and $24,818 for the PEBP, for a total OPEB expense of $29,816.

For the year ended June 30, 2022, the Authority reported deferred outflows of resources and deferred inflows related to OPEB for the 2022 year as follows:

	Authority Plan	PEBP	Total
Deferred outflows of resources			
Changes of assumption	$ 61,719	$ -	$ 61,719
Differences between expected and actual experiences	20,789	-	20,789
Contributions subsequent to the measurement date	37,781	16,637	54,418
Total	$ 120,289	$ 16,637	$ 136,926
Deferred inflows of resources			
Changes of assumption	$ 32,532	$ -	$ 32,532
Differences between expected and actual experiences	58,064	-	58,064
Total	$ 90,596	$ -	$ 90,596

Deferred outflows of resources from employer contributions subsequent to the measurement date in the amount of $54,418 will be recognized as a reduction in the OPEB liability in the year ending June 30, 2022. The remaining amounts reported as deferred outflows of resource and deferred inflows of resources, net ($8,088) related to OPEB will be recognized in OPEB expense as follows:

	Authority Plan	PEBP
Reporting period ending June 30,		
2023	$ (22,844)	$ -
2024	(15,608)	-
2025	1,043	-
2026	13,935	-
2027	9,991	-
Thereafter	5,395	-
	$ (8,088)	$ -

REQUIRED SUPPLEMENTARY INFORMATION

Douglas County Lake Tahoe Sewer Authority

SCHEDULE OF AUTHORITY CONTRIBUTIONS
Public Employees' Retirement System of Nevada

Last Ten Fiscal Years*

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Statutorily required contribution	$ 163,333	$ 167,064	$ 157,579	$ 161,415	$ 160,670	$ 167,155	$ 181,723			
Contributions in relation to the statutorily required contribution	(163,333)	(167,064)	(157,579)	(161,415)	(160,670)	(167,155)	(181,723)			
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -			
Authority's covered payroll	$ 1,185,907	$ 1,185,519	$ 1,124,090	$ 1,246,144	$ 1,245,377	$ 1,264,884	$ 1,307,235			
Contributions as a percentage of covered payroll	13.77%	14.09%	14.02%	12.95%	12.90%	13.22%	13.90%			
Contribution rate set by statute	29.75%	29.25%	29.25%	28.00%	28.00%	28.00%	28.00%			

GASB Statement No. 68 requires ten years of information to be presented in this table. However, until ten years of data is available the Authority will present information only those years for which information is available.

See notes to required supplementary information

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	0.01596%	0.01512%	0.01672%	0.01725%	0.01861%	0.02096%	0.01960%			
Authority's proportionate share of the net pension liability	$ 1,455,582	$ 2,106,093	$ 2,280,194	$ 2,352,581	$ 2,474,613	$ 2,820,680	$ 2,245,886			
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	123%	187%	203%	189%	199%	223%	172%			
PERS fiduciary net position as a percentage of the total pension liability	77.04%	76.46%	75.24%	74.40%	72.20%	75.13%	76.31%			

GASB Statement No. 68 requires ten years of information to be presented in this table. However, until ten years of data is available the Authority will present information only for those years for which information is available.

See notes to required supplementary information

Douglas County Lake Tahoe Sewer Authority

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – NET PENSION LIABILITY

June 30, 2022

NOTE A – NET PENSION LIABILITY

Changes of assumptions:

The PERS plan reflects the following change in assumptions from June 30, 2020 to June 30, 2021:

- The inflation rate decreased from 2.75% to 2.50%.
- Payroll growth decreased from 5.00% to 3.50%.
- Investment rate of return decreased from 7.50% to 7.25%.
- Projected salary increases declined from 4.25% to 9.15% to 4.20% to 9.10% for Regular members.
- The consumer price index decreased from 2.75% to 2.50%.
- Mortality rates were changed from Headcount-Weighted RP-2014 Tables to Pub-2010 Mortality Tables.
- Future mortality improvement was changed from 6 years to the Generational Projection Scale MP-2020.
- Discount rate decreased from 7.50% to 7.25%

The PERS plan reflects the following change in assumptions from June 30, 2016 to June 30, 2017:

- The inflation rate decreased from 3.50% to 2.75%.
- Investment rate of return decreased from 8.00% to 7.50%.
- Productivity of pay decreased from 0.75% to .50%
- Projected salary increases declined from 4.60% to 9.75% to 4.25% to 9.15% for Regular members.
- Consumer price index decreased from 3.50% to 2.75%.
- Mortality rates were changed from RP-2000 Combined Healthy/Disabled Mortality Table to Headcount-Weighted RP-2014 Health/Disabled Tables.

Douglas County Lake Tahoe Sewer Authority

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

Last Ten Fiscal Years*

Authority Plan

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Service cost	$ 15,374	$ 12,920	$ 21,297	$ 20,692	$ 22,256	**GASB Statement No. 75 requires ten years of information**				
Interest	14,577	17,199	26,369	26,071	23,140	**to be presented in this table. However, until ten years of**				
Change of benefit terms	-	-	-	-	-	**data is available the Authority will present information only for**				
Differences between expected and actual experience	24,541	-	-	-	-	**those years for which information is available.**				
Changes in assumptions or other inputs	40,800	42,634	(180,296)	(4,615)	(52,851)					
Benefit payments	(27,876)	(31,569)	(44,318)	(48,965)	(53,303)					
Net change in total OPEB liability	67,416	41,184	(176,948)	(6,817)	(60,758)					
Total OPEB liability - beginning of year	593,535	552,351	729,299	736,116	796,874					
Total OPEB liability - ending of year	$ 660,951	$ 593,535	$ 552,351	$ 729,299	$ 736,116					

PEBP

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Service cost	$ -	$ -	$ -	$ -						
Interest	8,103	9,862	8,029	8,538	8,279	**GASB Statement No. 75 requires ten years of information**				
Change of benefit terms	-	-	-	-	-	**to be presented in this table. However, until ten years of**				
Differences between expected and actual experience	(5,782)	-	-	-	-	**data is available the Authority will present information only for**				
Changes in assumptions or other inputs	22,497	23,824	103,248	(1,438)	(17,250)	**those years for which information is available.**				
Benefit payments	(17,874)	(18,178)	(17,814)	(32,468)	(36,978)					
Net change in total OPEB liability	6,944	15,508	93,463	(25,368)	(45,949)					
Total OPEB liability - beginning of year	339,664	324,156	230,693	256,061	302,010					
Total OPEB liability - ending of year	$ 346,608	$ 339,664	$ 324,156	$ 230,693	$ 256,061					

*No assets are held in trust for either Plan.

See notes to required supplementary information

Douglas County Lake Tahoe Sewer Authority

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – TOTAL OPEB LIABILITY

June 30, 2022

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%.

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

In the June 30, 2021 actuarial valuation, the discount rate changed from 2.45% to 1.92%.

SUPPLEMENTAL INFORMATION

Douglas County Lake Tahoe Sewer Authority

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

June 30, 2022

	Final Augmented Budget	Actual	Variance - Favorable (Unfavorable)
Operating revenues			
Charges for services and assessments	$ 5,306,231	$ 5,087,809	$ (218,422)
Other fees, revenue	13,000	31,263	18,263
Total operating revenues	5,319,231	5,119,072	(200,159)
Operating expenses			
Salaries, wages and benefits	2,043,935	1,583,879	460,056
Electrical and other utilities	380,920	370,023	10,897
Chemicals and supplies	89,750	76,313	13,437
Legal and accounting	115,350	90,527	24,823
Engineering and consulting	89,000	61,151	27,849
Repairs and maintenance	288,950	194,203	94,747
Insurance and other operating expenses	303,450	272,495	30,955
Fuels and lubricants	32,860	24,760	8,100
Depreciation and amortization	1,794,225	1,869,917	(75,692)
Total operating expenses	5,138,440	4,543,268	595,172
Operating gain (loss)	180,791	575,804	395,013
Nonoperating revenues			
Consolidated taxes	137,984	137,984	-
Interest income	63,300	47,350	(15,950)
Gain (Loss) on disposal of assets	-	(21,104)	(21,104)
Capacity fees	-	4,040	4,040
Total nonoperating revenues	201,284	168,270	(33,014)
Nonoperating expenditures			
Debt service interest	208,164	180,229	(27,935)
Total nonoperating expenditures	208,164	180,229	(27,935)
INCREASE (DECREASE) IN NET POSITION	$ 173,911	$ 563,845	$ 389,934

Douglas County Lake Tahoe Sewer Authority

STATEMENT OF CASH FLOWS - BUDGET AND ACTUAL

Year Ended June 30, 2022

	Final Augmented Budget	Actual	Variance - Favorable (Unfavorable)
Cash flows from operating activities:			
Cash received from customers	$ 5,319,231	$ 5,333,093	$ 13,862
Deposits refundable	-	(15,758)	(15,758)
Cash payments to suppliers for goods and services	(1,300,280)	(1,352,600)	(52,320)
Cash payments to employees for services including benefits	(2,043,935)	(1,909,242)	134,693
Net cash provided by operating activities	1,975,017	2,055,493	80,477
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(4,600,194)	(3,989,043)	611,151
State revolving fund loan proceeds	3,551,274	3,618,639	67,365
Cash from disposal of assets	-	(21,104)	(21,104)
Consolidated taxes	137,984	137,984	-
Cash received for capacity fees	-	4,040	4,040
Debt service interest	(208,164)	(180,229)	27,935
Payments on long-term debt	(119,533)	(119,533)	-
Net cash used in capital and related financing activities	(1,238,633)	(549,246)	689,387
Cash flows from investing activities:			
Restricted investments	(355,121)	(7,788)	347,333
Interest income on investments	63,300	40,330	(22,970)
Net cash provided by (used in) investing activities	(291,821)	32,542	324,363
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	444,563	1,538,789	1,094,227
Cash and cash equivalents at beginning of year	9,440,893	13,266,033	3,825,140
Cash and cash equivalents at end of year	$ 9,885,456	$ 14,804,822	$ 4,919,366

COMPLIANCE SECTION

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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 the business-type activities of Douglas County Lake Tahoe Sewer Authority (the Authority), as of and for the year ended June 30, 2022, 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 9, 2022.

Internal Control over Financial Reporting
In planning and performing our audit of the financial statements, we considered the 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 the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 the 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 9, 2022