Financial Statements

June 30, 2025

Douglas County Lake Tahoe Sewer Authority

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Casey Neilon, Inc.
Accountants and Advisors

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of the Douglas County Lake Tahoe Sewer Authority (the "Authority") as of and for the year ended June 30, 2025, 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 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, 2025, 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 Opinions

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. 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 opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal

control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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, pension and other post-employment benefit information on pages 4–9 and 34–37, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 on page 38-39 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 19, 2025, 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.



Carson City, Nevada
November 19, 2025

Douglas County Lake Tahoe Sewer Authority

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

June 30, 2025

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, 2025.

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. It also provides answers to such questions as where cash came from, what cash was used for, and 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 and deferred inflows exceeded liabilities and deferred outflows by more than $39.8 million at the close of the 2025 fiscal year. The current fiscal year's net position is $1,404,495 more than the prior year's. This can be attributed to spending less on capital assets than the annual special capital assessment of $2.25 million.

As can be seen in Table A-1, the largest portion of the Authority's net position, 52.5%, reflects its net 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.

36.1% or $14,394,521 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 $4,516,445 as of June 30, 2025 may be used to support operating and maintenance expenses.

As shown in Table A-2, total revenues for fiscal year 2025 increased modestly by $119,321 or 1.7%. As an

enterprise fund, our sewer charges support our operating expenses, which only increased by 1%. The remaining 0.7% of the total revenue increase is from commercial connection fees.

Total expenses including depreciation and amortization increased from the 2024 year by only $27,231 or 0.46%.

Sewer user charges include operations and maintenance costs as well as a capital assessment. The capital assessment portion of rates for Fiscal Year 2025 totaled $2,250,000. Including the 1% increase in operating costs, the total sewer user charges increased by only 0.39% or $22,783.

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 2025, operating expenses including depreciation were $486,096 or 7.8% less than budgeted. The Authority had budgeted an operating loss of more than $108,000. However, at year end, the actual operating *increase* was $311,780 with an overall $1,404,495 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 2025, that adjustment resulted in two of the districts receiving 10.8% and 12.1% rate decreases. The flow percentage of the third district was higher than expected, therefore its rates increased by 6.7%. The refunds and charges will be reflected on the third quarter invoices for the coming fiscal year.

Capital Asset and Long-Term Financing Activity

As of June 30, 2025, the Authority's capital assets amounted to $28,982,573 net of accumulated depreciation as shown in Table A-3, a decrease of $1,298,778, attributable to increased depreciation from assets recently capitalized.

During the year, the Authority expended approximately $560,000 to replace worn out capital assets such as pumps and motors, and to update piping and processes at its Beach Pump Station. An additional $591,000 was spent for ongoing capital construction projects. Those include Main Pump Station Improvements which began in Fiscal Year 2023, the Aeration Basin and Plant Upgrades project, now complete, the Export Pipeline Replacement and Road and Concrete Upgrade projects, which are both in the engineering design phase, and work to replace the plant's 60- year-old transfer switchgear. Much of this described work was performed by in-house staff, saving the Authority from paying the cost of contract labor. The capital expenditures were all paid from annual sewer fees, which include a capital assessment.

In fiscal year 2026, the Authority plans to finish the upgrades to its pump stations, repave and replace roads and concrete sidewalks, and begin the permitting process to replace a portion of the aging export line which carries effluent over Kingsbury Grade to the Carson Valley. Including debt service on three earlier State Revolving Fund Loans, capital expenditures for the coming year are expected to be approximately $4,740,000. That amount is being held in restricted funds to pay for the projects and no debt will be incurred to pay for them.

Known Facts/Decisions Affecting the Future

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 2024 accounting for 92.1% 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 charged a flat rate.

In 2023 extreme weather conditions, snow and then rain, impacted travel and tourism suffered, greatly decreasing sewer flows. Though tourism increased in the 2024 year, two of the large casinos in town performed extensive remodeling and, while that was happening, the number of hotel rooms available to the public were significantly reduced. Therefore, even though tourism increased, in 2024, the hotel room decrease led to only a 1% increase in overall commercial flows.

The fiscal year 2026 budget reflects operating expenses that total $6,471,917 including depreciation and amortization. While budgeted utilities costs are down from the previous year, substantial increases to employee retiree system contributions and health benefits, maintenance and engineering costs combined to increase operating expenses for 2026 by 4.9%.

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 2026 fiscal year, In-Authority residential rates increased by 5% to $624 per year. Rates to the participating districts vary according to their flow contributions. Two districts received rate increases averaging 1.4%. One of the districts, that had significantly higher flows than in prior years, received a 10.3% rate increase. In-Authority commercial rates increased by 5.5%, from $11.47 to $12.10 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, 2025	June 30, 2024	Increase/ (Decrease)
Current, restricted and other assets	$ 10,926,456	$ 18,858,605	$ (7,932,149)
Non-current assets	490,000	-	490,000
Non-current restricted assets	11,088,772	1,715,000	9,373,772
Capital assets	28,982,573	30,281,351	(1,298,778)
Total assets	51,487,801	50,854,956	632,845
Total deferred outflows of resources	1,041,678	965,184	76,494
Current liabilities	977,861	987,776	(9,915)
Current restricted liabilities	98,543	92,438	6,105
Non-current liabilities	10,758,739	11,501,047	(742,308)
Total liabilities	11,835,143	12,581,261	(746,118)
Total deferred inflows of resources	875,096	824,134	50,962
Net position			
Net investment in capital assets	20,908,274	21,615,500	(707,226)
Restricted	14,394,521	12,704,789	1,689,732
Unrestricted	4,516,445	4,094,456	421,989
Total net position	$ 39,819,240	$ 38,414,745	$ 1,404,495

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

	June 30,		Increase/
	2025	2024	(Decrease)
Operating revenues			
Sewer user charges	$ 5,926,025	$ 5,903,242	$ 22,783
Other income	28,466	18,173	10,293
Nonoperating revenues	1,374,364	1,279,216	95,148
Total revenues	7,328,855	7,200,631	128,224
Operating expenses	3,386,645	3,353,319	33,326
Depreciation and amortization	2,364,362	2,347,977	16,385
Debt service interest	173,353	186,930	(13,577)
Total expenses	5,924,360	5,888,226	36,134
Change in net position	1,404,495	1,312,405	92,090
Net position, beginning of year	38,414,745	37,102,340	1,312,405
Net position, end of year	$ 39,819,240	$ 38,414,745	$ 1,404,495

Table A-3
Capital Assets

	June 30, 2025	June 30, 2024	Increase/ (Decrease)
Land	$ 1,103,434	$ 1,103,434	$ -
Plant and lines	61,752,017	61,618,031	133,986
Equipment and other assets	5,915,011	5,345,358	569,653
Leasehold improvements	798,812	798,812	-
Construction in progress	2,116,881	1,793,283	323,598
	71,686,155	70,658,918	1,027,237
Less: Accumulated depreciation and amortization	(42,703,582)	(40,377,567)	(2,326,015)
Net property, plant, equipment and leasehold improvements	$ 28,982,573	$ 30,281,351	$ (1,298,778)

FINANCIAL STATEMENTS

ASSETS	
Current Assets	
Cash and cash equivalents	
Cash	$ 720,133
Deposits in investment accounts	449,758
Investments in LGIP	5,675,796
Cash in custody of other governments	34,496
Accounts receivable	9,801
Supply inventory	47,434
Prepaid expenses	137,147
Interest receivable	36,745
Total current assets	7,111,310
Restricted Current Assets	
Short-term certificate of deposit investments	2,695,000
Account receivable	12,000
Lease receivable	94,453
Interest receivable	73,547
State revolving fund debt service restricted investments	858,836
Total current restricted assets	3,733,836
Non-current Assets	
Long-term certificate of deposit investments	490,000
Restricted Non-current Assets	
Cash and cash equivalents	
Cash	1,344,079
Deposits in investment accounts	792,345
Investments in LGIP	7,970,604
Long-term certificate of deposit investments	735,000
Lease receivable	246,744
Total restricted non-current assets	11,088,772
Capital Assets	
Capital assets not being depreciated	3,220,315
Capital assets being depreciated, net	25,762,258
Total capital assets	28,982,573
Other Assets	
Deposits	81,310
TOTAL ASSETS	51,487,801
DEFERRED OUTFLOWS OF RESOURCES	
Pension requirement	922,455
Postemployment retirement obligation	119,223
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,041,678

LIABILITIES	
Current Liabilities, Payable From Current Assets	
Accounts payable	$ 178,428
Accrued compensation and other expenses	194,142
Current portion of long-term debt	605,291
Total current liabilities payable from current assets	977,861
Current Liabilities, Payable From Restricted Assets	
Accounts payable	98,543
Non-current Liabilities	
Accrued compensation	81,114
OPEB liability	774,685
PERS proportionate liability	2,433,932
Long-term debt, less current portion	7,469,008
Total non-current liabilities	10,758,739
TOTAL LIABILITIES	11,835,143
DEFERRED INFLOWS OF RESOURCES	
Pension requirement	482,344
Postemployment retirement obligation	63,208
Lease, restricted for construction	329,544
TOTAL DEFERRED INFLOWS OF RESOURCES	875,096
NET POSITION	
Net investment in capital assets	20,908,274
Restricted for debt service	858,836
Restricted for construction, plant repair and replacement	13,535,685
Unrestricted	4,516,445
TOTAL NET POSITION	$39,819,240

Operating Revenues	
Charges for services and assessments	$ 5,926,025
Other income	28,466
Total operating revenues	5,954,491
Operating Expenses	
Salaries, wages and benefits	2,046,563
Electrical and other utilities	397,561
Chemicals and supplies	115,404
Legal and accounting	95,649
Engineering and consulting	99,207
Repairs and maintenance	289,010
Insurance	108,801
Fuels and lubricants	23,402
Other operating expenses	211,048
Depreciation and amortization	2,364,362
Total operating expenses	5,751,007
Operating Income	203,484
Nonoperating Revenues (Expenses)	
Consolidated taxes	149,483
Interest income	897,926
Lease income	138,452
Debt service interest	(173,353)
Gain on disposal of assets	8,903
Capacity fees	179,600
Total nonoperating revenues	1,201,011
Change in Net Position	1,404,495
Net Position - Beginning of year	38,414,745
Net Position - End of year	$39,819,240

Cash Flows from Operating Activities	
Cash received from customers	$ 6,079,434
Cash payments to suppliers for goods and services	(1,512,475)
Cash payments to employees for services including benefits	(2,085,832)
Net cash provided by operating activities	2,481,127
Cash Flows from Non-capital Activities	
Consolidated taxes	149,483
Cash Flows from Capital and Related Financing Activities	
Acquisition and construction of capital assets	(1,050,567)
Cash received for capacity fees	179,600
Lease income	138,000
Debt service interest	(173,353)
Payments on long-term debt	(591,552)
Net cash used for capital and related financing activities	(1,497,872)
Cash Flows from Investing Activities:	
Restricted investments	(33,514)
Interest income on investments	900,598
Net cash provided by investing activities	867,084
Net change in cash and cash equivalents	1,999,822
Cash and cash equivalents at beginning of year	14,987,389
Cash and cash equivalents at end of year	$ 16,987,211
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating income	$ 203,484
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	2,364,362
Net pension expense	(37,701)
Net other post employment benefits expense	(35,778)
Change in assets and liabilities:	
Supply inventory	(14,687)
Prepaid expenses	(105,730)
Accounts receivable	123,449
Compensated absences liability	34,210
Accounts payable and accrued liabilities	(50,482)
Total adjustments	2,277,643
Net cash provided by operating activities	$ 2,481,127

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the Douglas County Lake Tahoe Sewer Authority's (the "Authority") significant accounting policies applied in the preparation of the accompanying financial statements follows.

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. 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 capital construction, emergency repair/replacement, and debt service requirements and are thus categorized separately on the Statement of Net Position. The sources and nature of these restrictions are discussed in Note 3.

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 net investment in capital 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.

Capacity fees are charged to third parties 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

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.

Cash and Cash Equivalents and Investments

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

Investments are recorded at fair value, which is the same as the value of the pool shares. The State of Nevada Local Government Investment Pool is an unrated external investment pool that does not provide information on realized or unrealized gain or loss activity. Accordingly, changes in the investment pool are reflected as net investment income in the accompanying financial statements. Based on the nature of the investment policies, all amounts are available on demand, except for certificates of deposit, and are therefore classified as cash equivalents on the Statement of Cash Flows.

Accounts Receivable

The Authority considers receivables at June 30, 2025 to be fully collectible; therefore, no allowance for doubtful accounts is required.

Inventories and Prepaid Expenses

All inventories are valued at the lower of cost or market using the first-in, first-out (FIFO) method. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses. The cost of prepaid expenses is recorded as an expense when consumed rather than when purchased.

Capital Assets

Capital assets are defined by the Authority as assets with an initial, individual cost of more than $2,500 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 asset 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:

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

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

Lease

In accordance with GASB Statement No. 87, *Leases*, the lease receivable is initially measured at the net present value of the future minimum lease payments expected to be received. The payments are recognized as a reduction of the lease receivable and interest income is as payments are received. The deferred inflow of resources at the time of implementation was recorded as an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight line basis over the life of the lease.

Compensated Absences

Compensated absences are accounted for in accordance with GASB Statement No. 101, *Compensated Absences,* which requires that a liability for compensated absences relating to services already rendered and that are not contingent on a specified event be accounted for in the period those services are rendered or those events take place. GASB Statement No. 101 requires a more likely than not approach to reporting a liability for compensated absences. The total accrued compensated absences are reported on the Statement of Net Position. 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 their rate of pay on June 30, 2025.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Post-Employment Benefits (OPEB)

For purposes of measuring the Authority's OPEB liability, deferred outflows and deferred inflows of resources and OPEB expense, information about the fiduciary net position of the Authority's OPEB plans and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the Authority's OPEB plans. For this purpose, the Authority recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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 and OPEB related deferred outflows of resources are discussed in depth in Note 8 and Note 9, 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 as well as future lease incomes that qualify for reporting in this category. Pension and OPEB related deferred inflows of resources are discussed in depth in Note 8 and Note 9, respectively. Lease related deferred inflows of resources are further discussed in Note 5.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 OPEB liability and PERS net pension liability. Actual results could differ from those estimates.

New Accounting Pronouncements – Adopted

During the current fiscal year, the Authority implemented the provisions of GASB pronouncement numbers 101,102, and 103. GASB 101 and 102 took effect for the fiscal year ending June 30, 2025. GASB 103 was adopted early, and takes effect for the fiscal year ending June 30, 2025.

GASB Statement No. 101, *Compensated Absences,* issued in June 2022 relates to the benefits governments commonly provide in the form of compensated absences. The primary objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The Authority previously reported these absences in the manner required by GASB 101. However, the term "net" has been added to the table of changes in compensated absences found in Note 7 to these financials.

GASB Statement No. 102, *Certain Risk Disclosures*, issued in December 2023 ensures that stakeholders are informed about significant risks that could impact an entity's financial position. The Authority has evaluated this pronouncement and determined it has no significant effect for the fiscal year ending June 30, 2025.

GASB Statement 103, *Financial Reporting Model Improvements,* issued in April 2024 updated the governmental financial reporting model by enhancing clarity and consistency in areas such as the Management Discussion and Analysis (MD&A), proprietary fund reporting, presentation of unusual/infrequent items, and budgetary comparisons. In complying with this pronouncement, the Authority has changed the format of its MD&A and made changes to the footnotes and comparative financials.

New Accounting Pronouncements – Not Yet Adopted

GASB Statement 104, *Disclosure of Certain Capital Assets*, issued in September 2024 does not take effect until the fiscal year ending June 30, 2026. This statement requires the separate disclosure and classification of non-financial assets.

The Authority will implement new GASB pronouncements no later than the required effective date. The Authority is currently evaluating whether or not GASB 104 will have a significant effect on the Authority's financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unusual or Infrequent Items

The Authority has reviewed all activities for the 2025 fiscal year and determined there were no transactions either highly unusual in nature of in infrequency of occurrence.

Subsequent Events

In preparing these financial statements, the Authority has evaluated events and transactions for potential recognition or disclosure through November 19, 2025, the date the financial statements were available to be issued.

NOTE 2 – 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 3 - RESTRICTED ASSETS

Construction/Plant Repair and Replacement

As provided under the Authority ordinance which became effective January 1, 2025, this fund shall be restricted as to application for the purpose of repairing, reconstructing or expanding the Authority's sewer system including capital expenditures for the construction of improvements to and/or expansion of the Authority's sewage system.

This fund contains monies previously separated into the Construction Fund and Plant Repair/Replacement Fund pursuant to the prior 2003 ordinance. Money in these funds was collected and will continue to be collected in the form of special assessments levied against all users both within the Authority boundaries and within the boundaries of the participating districts with whom the Authority is engaged by contract to provide wastewater treatment and reuse services.

State Revolving Fund Debt Service Restricted Investments

As a condition of the 2006 and 2019 State Revolving Fund ("SRF") Loan contracts, bond reserve accounts were set up with the Local Government Investment Pool (LGIP). These accounts were funded with 10% of every SRF loan draw up to the required amounts of $140,497 for the 2006 loan and $631,236 for the 2019 loan. Restricted investments are included in restricted current assets in the Statement of Net Position totaling $858,836, of the total amount, $140,497 is restricted for the 2006 loan and $718,339 is restricted for the 2019 loan.

NOTE 4 – CASH/CASH EQUIVALENTS AND INVESTMENTS

As of June 30, 2025, the Authority has cash deposits in the amount of $2,064,212 and the amount is carried at cost. The bank's balance of $3,243,761 is FDIC insured up to $250,000, and fully collateralized with the Nevada State Collateral Pool, as described below.

NOTE 4 – CASH/CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

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, 2025.

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, 2025, investments of $13,646,400 are on deposit with LGIP and $1,242,103 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, 2025:

	2025
Operating	
Cash	$ 720,133
Deposits in investment accounts	449,758
Investments in LGIP	5,675,796
Cash in custody of other governments	34,496
Restricted Funds	
Cash	1,344,079
Deposits in investment accounts	792,345
Investments in LGIP	7,970,604
	$ 16,987,211

The Authority's investment holdings of $3,920,000 in certificates of deposit as of June 30, 2025 are categorized as Level 2 investments in accordance with the fair value hierarchy. At June 30, 2025, the LGIP balance included $5,441,753 of Level 1 investments and $8,204,647 of Level 2 investments, and a weighted average maturity of 49.5 days.

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 the Authority's investments meet those criteria.

NOTE 4 – CASH/CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

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 eleven (11) certificates of deposit of $245,000 each will mature before June 30, 2026, three (3) of $245,000 each will mature before June 30, 2027and two (2) more of $245,000 each before June 30, 2028. These policies minimize the Authority's interest rate risk.

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, 2025, the following investments exceed 5% of the Authority's investments:

Bank	Percentage
Bk of New York Mellon	6.25%
Townebank/Portsmouth	6.25%
Flagstar Bk Nevada	6.25%
South Story Bk and Trust	6.25%
UBS Bk USA	6.25%
Barclays Bk Delaware	6.25%
Discover Bk	6.25%
Prime Alliance Bk	6.25%
First Farmers Bk & Trust	6.25%
Goldman Sachs Bk USA NY	6.25%
Morgan Stanley Private Bk	6.25%
Blue Ridge Bank, NA	6.25%
Cross River Bk	6.25%
Bank of Hapoalim, NY	6.25%
Sallie Mae Bank, Salt Lake	6.25%
Morgan Stanley Bank, NA	6.25%

NOTE 5 – LEASE

During the 2024 fiscal year, the Authority entered into a lease agreement with NV Energy (the "lessee") for the right to use the Authority's property in exchange for monthly lease payments of $9,000. The lease agreement commenced on November 1, 2023, and is set to expire on November 1, 2028. Lessee has an option to extend the agreement for up to five additional one-year terms.

NOTE 5 - LEASE (CONTINUED)

In accordance with GASB Statement No. 87, *Leases*, the lease receivable was initially measured at the net present value of the future minimum lease payments expected to be received. The payments are recognized as a reduction of the lease receivable and interest income is recorded as payments are received. The deferred inflow of resources at the time of implementation was recorded as an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight line basis over the life of the lease. As the lessee is not reasonably certain to exercise the option to extend, the lease receivable and deferred inflow of resources do not reflect the extended term. The Authority has used an incremental borrowing rate equal to the five-year Treasury rate of 4.54% to discount the future minimum lease payments expected to be received.

Following is a schedule of the principal and interest on the lease:

Year Ending June 30	Principal	Interest	Total
2026	$ 94,453	$ 13,547	$ 108,000
2027	98,833	9,167	108,000
2028	103,417	4,583	108,000
2029	44,494	506	45,000
	$ 341,197	$ 27,803	$ 369,000

NOTE 6 – CAPITAL ASSETS

Capital assets consist of the following as of June 30, 2025:

	Balance July 1, 2024	Additions	Deletions	Balance June 30, 2025
Capital assets being depreciated				
Wastewater reclamation plant and lines	$ 49,594,897	$ 133,986	$ -	$ 49,728,883
Collection lines	1,929,952	-	-	1,929,952
Equipment and other assets	5,345,358	610,497	(40,844)	5,915,011
Leasehold improvements	798,812	-	-	798,812
Effluent disposal facility	10,093,182	-	-	10,093,182
	67,762,201	744,483	(40,844)	68,465,840
Less accumulated depreciation and amortization				
Wastewater reclamation plant and lines	(28,355,940)	(1,639,742)	-	(29,995,682)
Collection lines	(1,261,085)	(65,609)	-	(1,326,694)
Equipment and other assets	(3,697,121)	(445,099)	38,347	(4,103,873)
Leasehold improvements	(801,641)	(9,075)	-	(810,716)
Effluent disposal facility	(6,261,780)	(204,837)	-	(6,466,617)
	(40,377,567)	(2,364,362)	38,347	(42,703,582)
Net capital assets being depreciated	27,384,634	(1,619,879)	(2,497)	25,762,258
Capital assets not being depreciated				
Land	1,103,434	-	-	1,103,434
Construction in progress	1,793,283	612,131	(288,533)	2,116,881
Net capital assets not being depreciated	2,896,717	612,131	(288,533)	3,220,315
	$ 30,281,351	$ (1,007,748)	$ (291,030)	$ 28,982,573

NOTE 7 - LONG-TERM DEBT

On May 25, 2006, the Authority entered into a loan contract with the State of Nevada 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 2025 fiscal year, $85,825 of the loan principal was repaid, leaving the Authority with a balance of $88,626 at June 30, 2025. 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.

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 2025 fiscal year, $45,310 of the loan principal was repaid, leaving the Authority with a balance of $119,099 at June 30, 2025.

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 $650,568. 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. Principal and interest payments are due twice a year in the amount of $315,618. During the 2025 fiscal year, $460,416 of the principal was repaid, leaving the Authority with a balance of $7,866,574 on June 30, 2025.

Following is a summary of the activity in the notes payable account regarding the above-three loans for the year ended June 30, 2025:

	Principal Outstanding June 30, 2024	Additions/ Issued	Payments	Principal Outstanding June 30, 2025	Current Portion June 30, 2025
Direct Borrowing					
Note 1	$ 174,451	$ -	$ (85,825)	$ 88,626	$ 88,626
Note 2	164,409	-	(45,310)	119,099	46,622
Note 3	8,326,991	-	(460,417)	7,866,574	470,043
Total	$ 8,665,851	$ -	$(591,552)	$ 8,074,299	$ 605,291

NOTE 7 - LONG-TERM DEBT (CONTINUED)

The annual requirements to amortize the existing principal drawn on the three (3) State Revolving Fund loans are as follows:

	Direct Borrowing		
Years ending June 30,	Principal	Interest	Total
2026	$ 605,291	$ 166,442	$ 771,733
2027	527,843	153,107	680,950
2028	514,408	141,685	656,093
2029	500,147	131,089	631,236
2030	510,604	120,632	631,236
2031-2035	2,717,692	438,489	3,156,181
2036-2040	2,698,314	142,248	2,840,562
	$ 8,074,299	$ 1,293,692	$ 9,367,991

The Authority's outstanding Note 3 allows for a ten-day grace period. A penalty in the amount of 0.1% 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.

Compensated Absences

The following schedule summarizes the changes in the compensated absences liability as of June 30, 2025:

Year Ended June 30,	Beginning Balance	Net Change	Net Ending Balance	Due Within One Year
2025	$ 155,107	$ 29,332	$ 184,439	$ 103,325

NOTE 8 - PENSION PLAN

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 241 participating employers. There are no non-employer contributing entities identified in the 2024 GASB 68 Report or the 2024 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.

NOTE 8 - PENSION PLAN (CONTINUED)

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.

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.

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.

NOTE 8 - PENSION PLAN (CONTINUED)

Contributions (Continued)

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.

For the fiscal year ending June 30, 2025, the Statutory Employer-Pay contribution rate for Regular Members was 33.5%. 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 $417,178 for the year ended June 30, 2025. Of this amount, $208,589 was classified as employer contributions and $208,589 was classified as member contributions.

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

At June 30, 2025, the Authority reported a liability of $2,433,932 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, 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, 2024. At June 30, 2024, the Authority's portion was .01347 percent of the total, a decrease of .00051% from its proportion measured at June 30, 2023.

For the year ended June 30, 2024, the Authority recognized pension expense of $170,888. At June 30, 2024, 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	$ 516,350	$ -
Changes of assumptions	157,053	-
Net difference between projected and actual earnings on investments	-	239,773
Changes in proportion and differences between actual contributions and proportionate share of contributions	40,463	242,571
Contributions subsequent to the measurement date	208,589	-
	$ 922,455	$ 482,344

The $208,589 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 2026. 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 5.64 years for the measurement period ending June 30, 2024.

NOTE 8 - PENSION PLAN (CONTINUED)

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

The amount reported as deferred outflows(inflows)of resources will be recognized in pension expense as follows:

Reporting period ending June 30,		
2026	$	(13,040)
2027		264,385
2028		(24,827)
2029		(26,110)
2030		31,114
	$	231,522

Reconciliation of the net pension liability at June 30, 2025 is as follows:

Reconciliation of net pension liability		
Beginning net pension liability, July 1, 2024	$	2,551,960
Pension expense		170,888
Employer Contribution		(193,718)
New net deferred inflows/outflows		(95,198)
Ending net pension liability, June 30, 2025	$	2,433,932

Actuarial Assumptions

The total pension liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
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%
Other Assumptions	Same as those used in the June 30, 2024 funding actuarial valuation.

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.

NOTE 8 - PENSION PLAN (CONTINUED)

Actuarial Assumptions (Continued)

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, 2024 valuation were based on the results of the Actuarial Experience Study dated September 10, 2021 and adopted by the PERS Board.

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, 2024.

There were no Changes in Assumptions from June 30, 2023 to June 30, 2024.

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, 2024:

Asset Class	Target Allocation	Long-Term Geometric Expected Real Rate of Return*
U.S. stocks	34%	5.50%
International stocks	14%	5.50%
U.S. bonds	28%	2.25%
Private markets	12%	6.65%
Short-term investments	12%	0.50%
Total	100%	

NOTE 8 - PENSION PLAN (CONTINUED)

Actuarial Assumptions (continued)

Discount rate. The discount rate used to measure the total pension liability was 7.25% as of June 30, 2024, which was the same as that used as of June 30, 2023. 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, 2024 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, 2024.

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	$ 3,914,057	$ 2,433,932	$ 1,212,813

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS

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 Public Employees' Benefits Program administers these benefits as a multiple employer cost sharing plan. Complete financial statements for the State Retirees' Health and Welfare Benefits Fund can be obtained from the Accounting Department at the Public Employees Benefit Program, 901 South Stewart Street, Carson City, Nevada 89701.

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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 2024, the Authority contributed $39,720 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 $987 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 2024, the Authority's contributions toward the PEBP plan totaled $17,702. These amounts vary by year due to state Department of Administration changes in the subsidy limits.

Employees covered by benefit term

At the measurement date of June 30, 2024, the following employees were covered by the benefit terms:

Authority Plan

Active employees	10
Retirees and surviving spouses	12
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

Actuarial Methods and Assumptions

The actuary firm of MacLeod Watts, performed a valuation of the Authority Plan and the PEBP, dated June 30, 2023, with a roll forward dated June 30, 2024. The results below are based on that data.

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.

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Actuarial Methods and Assumptions (continued)

	Authority Plan	PEBP
Valuation date	6/30/2023	6/30/2023
Measurement date	6/30/2024	6/30/2024
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	7.0% in 2024, fluctuating to ultimate 3.9% by 2075 and later	PEBP post-Medicare: 4.5% per year
Salary increases	3%	3%
Discount rate	3.93%	3.86%

The actuarial assumptions used in the June 30, 2024 valuation, were based on actual census data.

Discount Rate

The discount rate is the same for both Plans. The discount rate at the roll forward measurement date was 3.93% reflecting the change in the municipal bond rate, for Bond Buyer General Obligation 20-Bond Municipal Bond Index as of June 30, 2024. The discount rate at the 2023 valuation date was 3.86% based on the Fidelity Municipal Bond AA 20 Year Maturity Yield as of June 30, 2023. Benefit payments are funded on a pay-as you go basis.

Changes in the Total OPEB Liabilities

	Authority Plan	PEBP	Total
Balance, July 1, 2024	$ 568,489	$ 232,567	$ 801,056
Changes for year			
Service cost	2,461	-	2,461
Interest	21,328	8,649	29,977
Difference between expected and actual experience	-	-	-
Changes in assumptions or other inputs	(3,724)	(1,260)	(4,984)
Benefit payments	(36,846)	(16,979)	(53,825)
Net changes	(16,781)	(9,590)	(26,371)
Balance, June 30, 2025	$ 551,708	$ 222,977	$ 774,685

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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 (2.93%) or 1-percentage-point higher (4.93%) than the current discount rate:

	1% Decrease in Discount Rate (2.93%)	Discount Rate (3.93%)	1% Increase in Discount Rate (4.93%)
Authority Plan	$ 606,356	$ 551,708	$ 505,049
PEBP	245,064	222,977	204,119
Total OPEB liability	$ 851,420	$ 774,685	$ 709,168

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 (6.00% decreasing to 2.90%) or 1-percentage-point higher (8.00% decreasing to 4.90%) than the current healthcare cost trend rates:

	1% Decrease	Health Care Cost Trend	1% Increase
Authority Plan	$ 537,312	$ 551,708	$ 567,252
PEBP	217,159	222,977	229,259
Total OPEB liability	$ 754,471	$ 774,685	$ 796,511

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

For the year ended June 30, 2025, the Authority recognized OPEB expense of $14,255 for the Authority Plan and $7,389 for the PEBP, for a total OPEB expense of $21,644.

For the year ended June 30, 2024, the Authority reported deferred outflows of resources and deferred inflows related to OPEB as follows:

	Authority Plan	PEBP	Total
Deferred outflows of resources			
Changes of assumption	$ 30,872	$ -	$ 30,872
Differences between expected and actual experiences	30,929	-	30,929
Contributions subsequent to the measurement date	39,720	17,702	57,422
Total	$ 101,521	$ 17,702	$ 119,223
Deferred inflows of resources			
Changes of assumption	$ 63,208	$ -	$ 63,208
Total	$ 63,208	$ -	$ 63,208

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

OPEB Expense, Deferred Outflows and Deferred Inflows Related to OPEB (continued)

Deferred outflows of resources from employer contributions subsequent to the measurement date in the amount of $57,422 will be recognized as a reduction in the OPEB liability in the year ending June 30, 2026. The remaining amounts reported as deferred outflows of resource and deferred inflows of resources, net ($1,407) related to OPEB will be recognized in OPEB expense as follows:

Year ending June 30,	Authority Plan	PEBP
2026	$ 3,358	$ -
2027	(586)	-
2028	(5,182)	-
2029	(2,774)	-
2030	4,159	-
Thereafter	(382)	-
	$ (1,407)	$ -

REQUIRED SUPPLEMENTAL INFORMATION

Douglas County Lake Tahoe Sewer Authority
Schedule of Authority Contributions
Public Employees' Retirement System of Nevada
Last Ten Fiscal Years

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Statutorily required contribution	$ 208,589	$ 193,718	$ 161,852	$ 163,333	$ 167,064	$ 157,579	$ 161,415	$ 160,670	$ 167,155	$ 181,723
Contributions in relation to the statutorily required contribution	(208,589)	(193,718)	(161,852)	(163,333)	(167,064)	(157,579)	(161,415)	(160,670)	(167,155)	(181,723)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Authority's covered payroll	$ 1,257,308	$ 1,241,778	$ 1,175,399	$ 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	16.59%	15.60%	13.77%	13.77%	14.09%	14.02%	12.95%	12.90%	13.22%	13.90%
Contribution rate set by statute	33.50%	33.50%	29.75%	29.75%	29.25%	29.25%	28.00%	28.00%	28.00%	28.00%

Douglas County Lake Tahoe Sewer Authority
Schedule of Proportionate Share of the Net Pension Liability
Last Ten Fiscal Years

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Authority's portion of the net pension liability	0.01347%	0.01398%	0.01485%	0.01596%	0.01512%	0.01672%	0.01725%	0.01861%	0.02096%	0.01960%
Authority's proportionate share of the net pension liability	$ 2,433,932	$ 2,551,960	$ 2,680,899	$ 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	$ 1,241,778	$ 1,175,399	$ 1,185,907	$ 1,185,519	$ 1,124,090	$ 1,246,144	$ 1,245,377	$ 1,264,884	$ 1,307,235	$ 1,324,729
Authority's proporionate share of the net pension liability as a percentage of its covered payroll	196%	217%	226%	123%	187%	203%	189%	199%	223%	172%
PERS fiduciary net position as a percentage of the total pension liability	78.11%	76.16%	75.12%	77.04%	76.46%	75.24%	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*

Authority Plan

	2024	2024	2023	2022	2021	2020	2019	2018
Service cost	$ 2,461	$ 7,366	$ 10,171	$ 15,374	$ 12,920	$ 21,297	$ 20,692	$ 22,256
Interest	21,328	19,283	12,525	14,577	17,199	26,369	26,071	23,140
Change of benefit terms	-	-	-	-	-	-	-	-
Differences between expected and actual experience	-	30,540	-	24,541	-	-	-	-
Changes in assumptions or other inputs	(3,724)	15,822	(110,924)	40,800	42,634	(180,296)	(4,615)	(52,851)
Benefit payments	(36,846)	(39,464)	(37,781)	(27,876)	(31,569)	(44,318)	(48,965)	(53,303)
Net change in total OPEB liability	(16,781)	33,547	(126,009)	67,416	41,184	(176,948)	(6,817)	(60,758)
Total OPEB liability - beginning of year	568,489	534,942	660,951	593,535	552,351	729,299	736,116	796,874
Total OPEB liability - ending of year	$ 551,708	$ 568,489	$ 534,942	$ 660,951	$ 593,535	$ 552,351	$ 729,299	$ 736,116
Covered Payroll	1,235,682	1,156,099	1,182,031	1,228,276	1,154,753	1,233,218	907,276	1,109,730
Total OPEB Liability as a percentage of covered payroll	44.65%	49.17%	45.26%	53.81%	51.40%	44.79%	80.38%	66.33%

PEBP

	2024	2024	2023	2022	2021	2020	2019	2018
Service cost	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Interest	8,649	10,057	6,496	8,103	9,862	8,029	8,538	8,279
Change of benefit terms	-	-	-	-	-	-	-	-
Differences between expected and actual experience	-	(17,653)	-	(5,782)	-	-	-	-
Changes in assumptions or other inputs	(1,260)	(24,122)	(55,651)	22,497	23,824	103,248	(1,438)	(17,250)
Benefit payments	(16,979)	(16,531)	(16,637)	(17,874)	(18,178)	(17,814)	(32,468)	(36,978)
Net change in total OPEB liability	(9,590)	(48,249)	(65,792)	6,944	15,508	93,463	(25,368)	(45,949)
Total OPEB liability - beginning of year	232,567	280,816	346,608	339,664	324,156	230,693	256,061	302,010
Total OPEB liability - ending of year	$ 222,977	$ 232,567	$ 280,816	$ 346,608	$ 339,664	$ 324,156	$ 230,693	$ 256,061

*No assets are held in trust for either Plan.
*GASB Statement No. 75 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 informaation is available.
See notes to required supplementary information

	Authority Plan	PEBP
Valuation date	6/30/2023	6/30/2023
Measurement date	6/30/2024	6/30/2024
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	7.0% in 2024, fluctuating to ultimate 3.9% by 2075 and later	PEBP post-Medicare: 4.5% per year
Salary increases	3%	3%
Discount rate	3.93%	3.86%
Retirement age	45 to 75	45 to 75
Mortality	Nevada PERS 2021 Experience Study Report	Nevada PERS 2021 Experience Study Report
Mortality Improvement	MW Scale 2022 projected 2010 forward	MW Scale 2022 projected 2010 forward

SUPPLEMENTAL INFORMATION

	Original Budget	Final Augmented Budget	Original-to-Augmented Variance	Actual	Final Augmented-to-Actual Variance Favorable (Unfavorable)
Operating revenues					
Charges for services and assessments	$ 6,007,807	$ 6,007,807	$ -	$ 5,926,025	$ (81,782)
Other fees, revenue	121,000	121,000	-	28,466	(92,534)
Total operating revenues	6,128,807	6,128,807	-	5,954,491	(174,316)
Operating expenses					
Salaries, wages and benefits	2,212,923	2,140,623	(72,300)	2,046,563	94,060
Electrical and other utilities	535,670	469,970	(65,700)	397,561	72,409
Chemicals and supplies	129,750	126,750	(3,000)	115,404	11,346
Legal and accounting	95,000	100,000	5,000	95,649	4,351
Engineering and consulting	66,000	126,000	60,000	99,207	26,793
Repairs and maintenance	268,300	379,150	110,850	289,010	90,140
Insurance and other operating expenses	317,304	347,704	30,400	319,849	27,855
Fuels and lubricants	32,860	37,860	5,000	23,402	14,458
Depreciation and amortization	2,509,046	2,509,046	-	2,364,362	144,684
Total operating expenses	6,166,853	6,237,103	70,250	5,751,007	486,096
Operating gain (loss)	(38,046)	(108,296)	(70,250)	203,484	311,780
Nonoperating revenues					
Consolidated taxes	137,984	137,984	-	149,483	11,499
Interest income	380,000	380,000	-	897,926	517,926
Lease income	-	-	-	138,452	138,452
Gain on disposal of assets	-	-	-	8,903	8,903
Capacity fees	-	-	-	179,600	179,600
Total nonoperating revenues	517,984	517,984	-	1,374,364	856,380
Nonoperating expenditures					
Debt service interest	180,182	180,182	-	173,353	6,829
Total nonoperating expenditures	180,182	180,182	-	173,353	6,829
Increase (Decrease) in Net Position	$ 299,756	$ 229,506	$ (70,250)	$ 1,404,495	$ 1,174,989

Significant Decrease in Original to Actual Operating Revenues:

Contracts with the participating districts provide that when operating expenses are less than what was budgeted, sewer fees will be refunded. Also, lease income was originally budgeted in Other Income, rather than non-operating lease revenues. Additionally, $23,634 of In-Authority Accounts Receivable from prior to 2017 was written off in the current year.

Douglas County Lake Tahoe Sewer Authority
Statement of Cash Flows – Budget and Actual
Year Ended June 30, 2025

	Original Budget	Final Augmented Budget	Original-to-Augmented Variance	Actual	Variance - Favorable (Unfavorable)
Cash flows from operating activities:					
Cash received from customers	$ 6,128,807	$ 6,128,807	$ -	$ 6,079,434	$ (49,373)
Cash payments to suppliers for goods and services	(1,444,884)	(1,587,434)	(142,550)	(1,512,475)	74,959
Cash payments to employees for services including benefits	(2,212,923)	(2,140,623)	72,300	(2,085,832)	54,791
Net cash provided by operating activities	2,471,000	2,400,750	(70,250)	2,481,127	80,377
Cash flows from non-capital activities:					
Consolidated taxes	137,984	137,984	-	149,483	11,499
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets	(1,120,000)	(1,120,000)	-	(1,050,567)	69,433
Lease income	-	-	-	138,000	138,000
Cash received for capacity fees	-	-	-	179,600	179,600
Debt service interest	(180,182)	(180,182)	-	(173,353)	6,829
Payments on long-term debt	(591,551)	(591,551)	-	(591,552)	-
Net cash used in capital and related financing activities	(1,891,733)	(1,891,733)	-	(1,497,872)	393,862
Cash flows from investing activities:					
Restricted investments	-	-	-	(33,514)	(33,514)
Interest income on investments	380,000	380,000	-	900,598	520,598
Net cash provided by investing activities	380,000	380,000	-	867,084	487,084
Net increase in cash and cash equivalents	1,097,251	1,027,001	(70,250)	1,999,822	972,822
Cash and cash equivalents at beginning of year	14,712,443	14,712,443	-	14,987,389	274,946
Cash and cash equivalents at end of year	$ 15,809,694	$15,739,444	$ (70,250)	$16,987,211	$ 1,247,767

COMPLIANCE SECTION

Casey Neilon, Inc.
Accountants and 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 and management
Douglas County Lake Tahoe Sewer Authority
Zephyr Cove, Nevada

We have audited, in accordance with the 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, 2025, 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 19, 2025.

Report on 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 or significant deficiencies may exist that were not identified.

Report on 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.



Carson City, Nevada
November 19, 2025

Casey Neilon, Inc.
Accountants and Advisors

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

In connection with our audit of the financial statements of the Douglas County Lake Tahoe Sewer Authority (the "Authority") as of and for the year ended June 30, 2025, 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 cited below. 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 required disclosure on compliance with the Nevada Revised Statutes and the Nevada Administrative Code is contained in Note 2 to the financial statements.

Progress on Prior Year Statute Compliance
The Authority monitored all significant constraints on its financial administration during the year June 30, 2025.

Current Year Recommendations
No material weaknesses or significant deficiencies were reported over Nevada Revised Statutes.

Progress on Prior Year Recommendations
No material weaknesses or significant deficiencies were reported.

Nevada Revised Statute 354.6241
In connection with our audit, nothing came to our attention that caused us to believe that the Authority had not complied in all material respects with NRS 354.6241, including:

- Use of funds established
- Use of generally accepted accounting principles
- Limitations on reserves
- Recording sources of revenue and transfers available
- Statutory and regulatory requirements applicable to the fund
- Ending retained earning amounts

Casey Neilon

Carson City, Nevada
November 19, 2025