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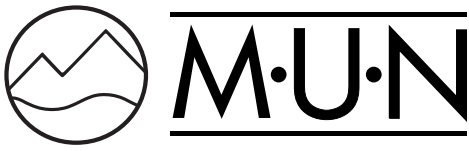
**SOUTH TAHOE PUBLIC UTILITY DISTRICT**  
**ANNUAL FINANCIAL REPORT**  
**WITH**  
**INDEPENDENT AUDITOR'S REPORT**  
**JUNE 30, 2025**

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**SACRAMENTO, CALIFORNIA 95833**

**SOUTH TAHOE PUBLIC UTILITY DISTRICT  
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JUNE 30, 2025**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
South Tahoe Public Utility District  
South Lake Tahoe, California

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the business-type activities and each major fund of South Tahoe Public Utility District (the District) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the District, 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 District, 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.

#### ***Emphasis of Matter***

##### *Change in Accounting Principle*

As described in Note 1 to the financial statements, during the year ended June 30, 2025, the District adopted new accounting guidance, GASB Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to this matter.

#### ***Responsibilities of Management for the Financial Statements***

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

### ***Report on Summarized Comparative Information***

We have previously audited the District's 2024 basic financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 16, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension related schedules as listed in the table of contents be presented to supplement the basic financial statements. Such information 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.

### **Other Information**

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2025, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

MUN CPAs, LLP

Sacramento, California  
December 11, 2025

**South Tahoe Public Utility District**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the year ended June 30, 2025**

**Financial Highlights**

The District has long been addressing the aging water system infrastructure, including undersized waterlines. The District finances water and sewer operations through user charges, property tax receipts, and other income. District service charge revenue is stable, since 100% of customers pay flat rates for sewer services. Also, the District's metered water rates are approximately structured with a 75% fixed component and 25% variable component. This structure nearly represents the District's actual fixed and variable cost structure. Water consumption revenues currently represent only 11.3% of the District's 2025 combined water and sewer service charge revenue and 7.7% of total revenues. As expected, water consumption fees become a larger portion of the District's revenues from 2023 through 2025 as the District installed meters to 99.9% of its service area to comply with the state mandate requiring water systems to be completely metered by 2025.

Each year the District updates its Ten-Year Financial Plan to assess its long-term financial condition. A primary goal in carefully developing long-term financial plans is to minimize annual rate changes and to avert large rate fluctuations. Fiscal year 2024/25 represented year one of a five-year rate implementation schedule with a new Proposition 218 Rate Study which was implemented July 1, 2024. In 2024 the Board of Directors adopted an ordinance with a five-year rate increase schedule; however, the rates for each year require confirmation annually by the Board. The maximum annual rate increases allowed for fiscal years 2025 – 2029 are 9.5% for Water, 13.5% for Sewer in 2025 and 9.50% for Water and Sewer in years 2026 – 2029. For fiscal year 2025, the Board adopted a 9.5% increase for Water and 13.5% for Sewer rates.

The District has been able to move forward with several capital projects due to the infrastructure-specific rate increases, receipt of grant funds, state program loans, and low-tax exempt interest rates on borrowed funds. The District continues to utilize the State Revolving Fund loan program whenever possible. The tax-exempt interest rates associated with this funding are approximately half compared to standard tax-exempt loans. Utilizing this program has saved the District's customers millions of dollars.

Careful stewardship of financial resources, along with a focus on long-term financial planning, provides the District with a firm financial base. The District has shown its financial abilities in its capability in responding to the operational requirements of the water and sewer systems while responsibly investing in infrastructure replacement.

- During the year approximately \$7 million was invested in sewer and water infrastructure improvements and equipment.
- Net position of the District increased \$3.5 million or 1.5%.
- The Sewer and Water Enterprise Funds' net income is \$1,054,172 and \$2,453,342, respectively.
- Operating revenue is up 12% primarily due to an increase in service charges.
- Combined operating and nonoperating expenses including depreciation increased 9.4% from the prior year.
- An active grant-seeking program is in place to bring in additional resources for both infrastructure and operations. The District recognized approximately \$2.1 million in grant funding.

**Overview of the Basic Financial Statements**

The District's basic financial statements are the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. An important part of the basic financial statements is the accompanying notes, which provide the users with additional information required by generally accepted accounting principles (GAAP). Preceding the basic financial statements is Management's Discussion and Analysis, which requires supplementary information to the basic financial statements.

**South Tahoe Public Utility District**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED**  
**For the year ended June 30, 2025**

The Statement of Net Position includes the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources. The difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources is reported as net position. The Statement of Revenues, Expenses and Changes in Net Position account for revenue, expenses, and capital contributions and calculates the change in net position. Over time, increases or decreases in net position serve as a key indicator of the District's financial position. The Statement of Cash Flows provides details on the changes in cash and cash equivalents during the year. By contrast the Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position are prepared on an accrual basis, meaning revenues are recorded when earned, and expenses are recorded when incurred regardless of the timing of cash receipts and payments.

Net Position

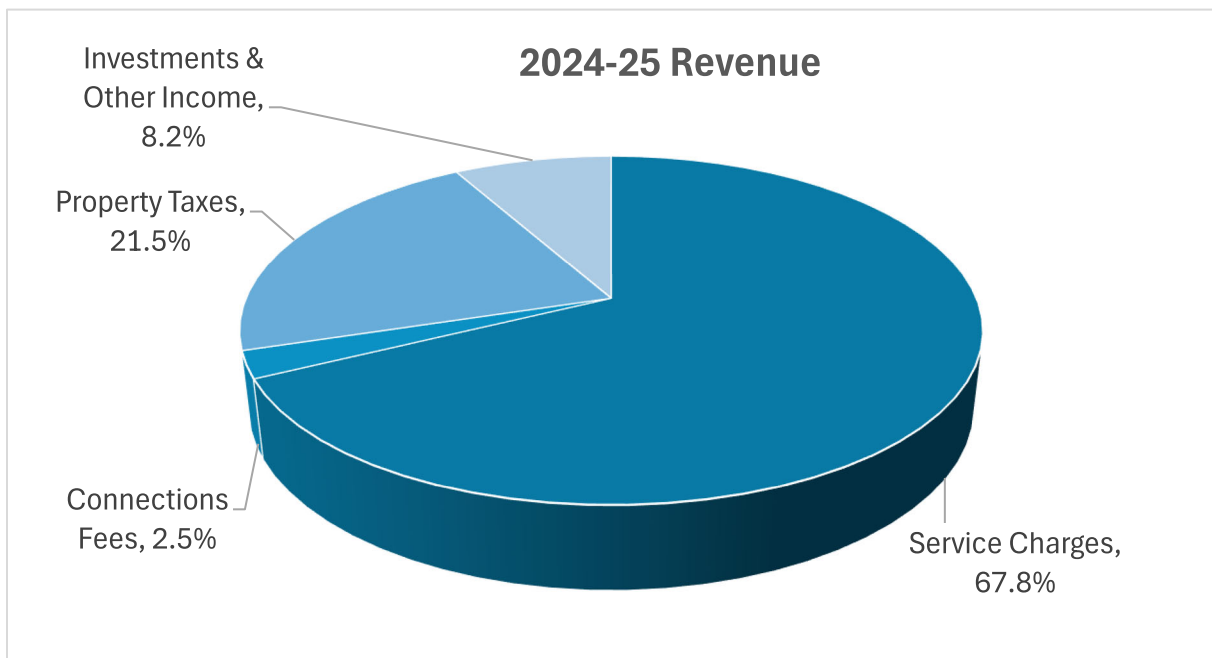
The condensed Statement of Net Position below shows the District is investing in capital assets while keeping its debt at manageable levels. For the year ended June 30, 2015, the District was required to implement GASB 68, Accounting and Financial Reporting for Pensions. Under the new GASB standards, each participating cost-sharing employer is required to report its actuarially determined proportionate share of the collective net pension liability, pension expense, and deferred outflows/deferred inflows of resources in their financial statements determined in conformity with GASB 68. Previously to GASB 68, the District was only required to report the actual payments submitted to the pension plan as an expense and no liability or deferred outflows/deferred inflows. The net pension liability reported in the Statement of Net Position for years ending June 30, 2025 and 2024 was approximately \$15.9 million and \$16.1 million respectively. For more information on the District's pension plan, see Note 9 of the Notes to the Financial Statements.

	<u>Net Position</u> <i>(in thousands)</i>			
	June 30			
	<u>2025</u>	<u>2024</u>	<u>Change</u>	<u>Change</u>
Current and other	\$ 99,625	\$ 63,728	\$ 35,897	56.3%
Capital assets	<u>260,886</u>	<u>253,875</u>	<u>7,011</u>	<u>2.8%</u>
Total assets	<u>\$360,511</u>	<u>\$317,603</u>	<u>\$42,908</u>	<u>13.5%</u>
Deferred outflows of resources	\$6,155	\$7,508	(\$1,353)	(18.0%)
Debt outstanding	\$ 99,008	\$ 61,177	\$37,831	61.8%
Net Pension Liability	15,935	16,082	(147)	(.9%)
Other liabilities	<u>9,911</u>	<u>9,915</u>	<u>(4)</u>	<u>0.0%</u>
Total liabilities	<u>\$ 124,854</u>	<u>\$ 87,174</u>	<u>\$37,680</u>	<u>43.2%</u>
Deferred inflows of resources	\$13,602	\$13,235	\$367	2.8%
Net investment in capital assets	\$195,238	\$192,872	\$ 2,366	1.2%
Restricted for security deposits	165	165	0	0.0%
Restricted for debt service payment	2,424	1,849	575	31.1%
Unrestricted	<u>30,382</u>	<u>29,816</u>	<u>566</u>	<u>1.9%</u>
Total net position	<u>\$228,210</u>	<u>\$224,702</u>	<u>\$3,508</u>	<u>1.6%</u>

**South Tahoe Public Utility District  
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED  
For the year ended June 30, 2025**

**Revenue and Expenses**

The District finances sewer and water operations through user charges, property tax receipts, and other income. Total revenue for fiscal year 2024-25 is \$55.2 million, a \$5.5 million or 11.2% increase from the prior year. The 2025 service charge revenue is up by \$4.1 million due to a 9.5% increase in water service charge rates and 13.5% in sewer service charge rates. Connection fees have increased by \$214K or 18.4%. Due to the limited number of vacant lots, many developers are razing older homes and constructing new ones on the same lot which require no, or little, additional water or sewer capacity. Property tax revenue is up \$408K or 3.5%, compared to the prior year reflecting an increase in property assessed values. Investment income is up due to a higher interest rate environment and recorded increases to the fair value of investments, while other income was fairly stable with only a \$15K increase.



Revenues  
*(in thousands)*

	June 30		Change	Change
	2025	2024		
Service charges	\$37,454	\$33,346	\$ 4,108	12.3%
Connection fees	1,375	1,161	214	18.4%
Other	864	899	(34)	(3.8%)
Total operating revenue	39,694	35,406	4,288	12.1%
Property taxes	11,910	11,502	408	3.5%
Investments	2,517	1,675	842	50.3%
Other	1,148	1,133	15	1.4%
Total non-operating revenue	15,575	14,310	1,265	8.8%
Total revenue	\$55,269	\$49,716	\$ 5,553	11.2%

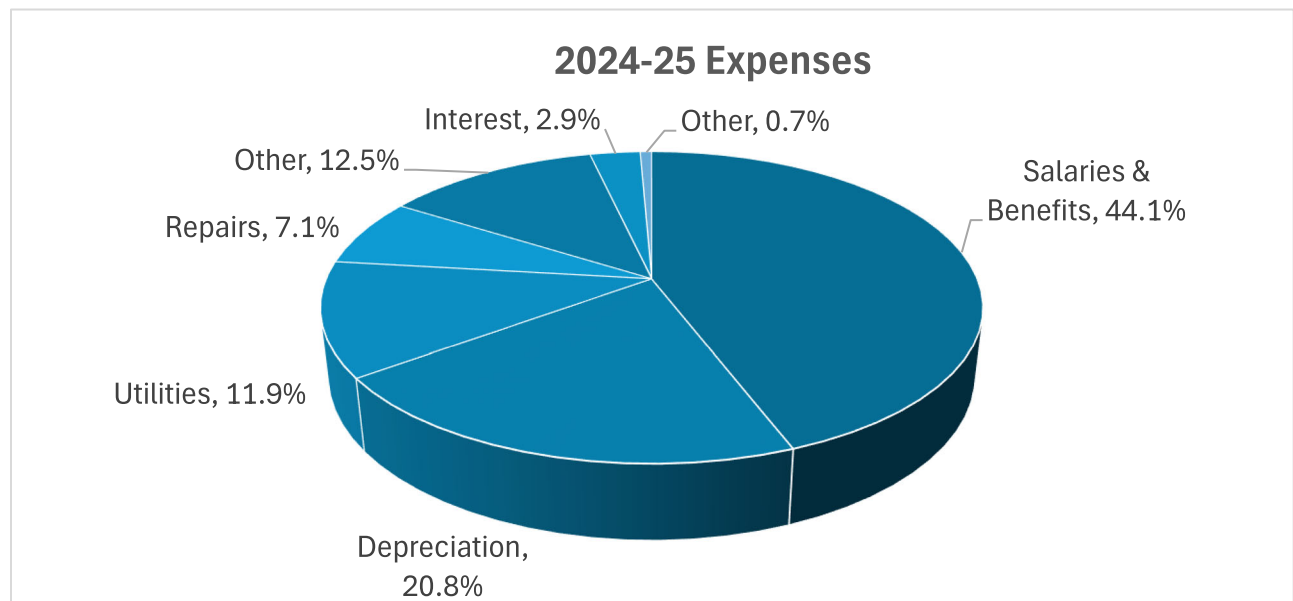
**South Tahoe Public Utility District  
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED  
For the year ended June 30, 2025**

**Revenue and Expenses - Continued**

Total operating expenses for the current year are \$51.1 million, up \$3.7 million from the prior year. The District's policy is to capitalize labor associated with capital projects. The capitalized portion of salaries and benefits in the amount of \$715K for 2025 is not accounted for in operating expenses, as it is included in capital assets on the Statement of Net Position. The GASB 68 pension expense adjustment for fiscal year 2025 was approximately \$120K compared to \$1.3 million in the prior year. The year-over-year change of the required GASB 68 pension expense recognition was a decrease of \$1.2 million. Similar to the capitalized labor, this adjustment impacts the Statement of Net Position.

New this year was an additional requirement for GASB 101- Compensated absences in which a recognition threshold was established for leave that has been earned and is usable. With this change the District is required to include nonvested sick leave (sick leave earned by employees hired after 2013) for those with a balance less than 1040 hours. It has been determined to utilize a rolling 3-year average of sick leave used as a percentage of accrued balances for this respective amount to which will be recorded as Non-Current Liability. In FY 2025 the 3-year average of sick leave was used with 40% and resulted in a liability of \$475K.

Salaries and benefits increased by 11.9% due to an initial 2.5% cost of living adjustment (COLA) plus an additional average 8% salary increase for a negotiated compensation study effective February 27, 2025 as well as a 10% increase in Health and Welfare benefits. Depreciation expense increased by 3.8% illustrating the District's continued investment in new infrastructure. Utilities, which fluctuate year to year due to winter severity, increased 16% in 2025 due to continued rate increases implemented by the local power supplier. Repair and maintenance expenditures, which decreased 5.8%, fluctuate year by year based on unexpected or planned projects. Combined operating and non-operating other expenses fluctuate year to year depending on the level of contracted and other professional services utilized by the District. In 2024-25 Interest expense increased 104.9% primarily due to the Certificates of Participation obtained in January 2025.



**South Tahoe Public Utility District  
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED  
For the year ended June 30, 2025**

		<u>Expenses</u> <i>(in thousands)</i>			
		June 30			
		<u>2025</u>	<u>2024</u>	<u>Change</u>	<u>Change</u>
<u>Operating expenses:</u>					
Salaries and benefits		\$23,444	\$20,955	\$ 2,489	11.9%
Depreciation		11,054	10,647	407	3.8%
Utilities		6,307	5,437	870	16.0%
Repair and maintenance		3,747	3,978	(231)	(5.8%)
Other		6,638	6,438	200	3.1%
Total operating expenses		<u>51,190</u>	<u>47,455</u>	<u>3,735</u>	<u>7.9%</u>
<u>Non-operating expenses:</u>					
Interest expense		1,553	758	795	104.9%
Other		359	322	37	11.4%
		<u>1,912</u>	<u>1,080</u>	<u>832</u>	<u>77.0%</u>
Total expenses		<u>\$53,102</u>	<u>\$48,535</u>	<u>\$ 4,567</u>	<u>9.4%</u>

The fiscal year 2024-25 income before capital contributions is \$2.2 million as compared to the actual prior year of \$1.2 million. For the year, capital contributions increased net position an additional \$1.3 million.

		<u>Changes in Net Position</u> <i>(in thousands)</i>			
		June 30			
		<u>2025</u>	<u>2024</u>	<u>Change</u>	<u>Change</u>
Beginning net position		\$224,702	\$221,889	\$2,813	1.3%
Income before contributions		2,167	1,181	986	83.5%
Capital contributions		1,341	1,633	(292)	(17.8%)
Changes in net position		<u>3,508</u>	<u>2,813</u>	<u>695</u>	<u>24.7%</u>
Ending net position		<u>\$228,210</u>	<u>\$224,702</u>	<u>\$3,508</u>	<u>1.6%</u>

**South Tahoe Public Utility District**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED**  
**For the year ended June 30, 2025**

**Capital Assets**

The District's investment in its sewer and water systems is \$261 million at the end of the fiscal year net of depreciation. During the year, approximately \$7 million was spent on new infrastructure and equipment. \$2.5 million was spent on water system improvements. As noted in the highlights, new waterlines improve system reliability, water pressure, and fire flow capability. For the year \$4.4 million was invested in sewer system improvements including pumping and treatment upgrades, line replacement, and recycled water projects.

Capital Assets  
*(net of depreciation, in thousands)*

	Sewer		Water		Total	
	2025	2024	2025	2024	2025	2024
Land and easements	\$ 23,035	\$ 23,035	\$ 2,328	\$ 2,096	\$ 25,363	\$ 25,131
Water rights	-	-	1,668	1,668	1,668	1,668
Plant and equipment	97,050	98,435	105,096	98,043	202,146	196,478
Intangible right-to-use software agreements	352	198	120	199	472	397
Construction in Progress	21,136	15,455	10,101	14,745	31,237	30,200
<b>Total</b>	<b>\$141,573</b>	<b>\$137,123</b>	<b>\$119,313</b>	<b>\$116,751</b>	<b>\$260,886</b>	<b>\$253,874</b>

For additional information on Capital Assets, see Note 4 in the Notes to Financial Statements.

**South Tahoe Public Utility District**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED**  
**For the year ended June 30, 2025**

**Debt Administration**

The District prefers to avoid funding capital improvement projects with debt but will do so when necessary to keep service rates at reasonable levels. At year-end, the District had approximately \$98.7 million in installment sales, loans and Certificates Of Participation (COP) outstanding as detailed below. As always, grant opportunities and low interest subsidized loans are pursued by the District.

<u>Outstanding Debt at Year End</u> <i>(in thousands)</i>	June 30,	
	2025	2024
<u>Sewer Enterprise Fund:</u>		
California State Revolving Loan Fund (secured by sewer revenue)	6,256	6,479
California State Revolving Loan Fund (secured by sewer revenue)	3,633	3,763
Sewer Refunding (secured by sewer revenue)	1,658	2,293
Sewer Refunding (secured by sewer revenue)	0	502
Installment Sale Agreement (secured by sewer revenue)	2,700	3,028
California State Revolving Loan Fund (secured by sewer revenue)	866	896
California State Revolving Loan Fund (secured by sewer revenue)	469	486
California State Revolving Loan Fund (secured by sewer revenue)	5,033	4,412
2021 Wastewater Revenue Refunding Bonds (secured by sewer revenue)	3,785	4,285
California State Revolving Loan Fund (secured by sewer revenue)	4,586	1,899
California State Revolving Loan Fund (secured by sewer revenue)	2,299	413
2025 Certificate of Participation	18,955	0
Premium on bond	1,889	658
Total sewer enterprise fund	52,129	29,114
 <u>Water Enterprise Fund:</u>		
Water Refunding (secured by water revenue)	2,236	2,654
California State Revolving Loan Fund (secured by water revenue)	2,511	2,627
California State Revolving Loan Fund (secured by water revenue)	727	779
California State Revolving Loan Fund (secured by water revenue)	8,785	9,048
California State Revolving Loan Fund (secured by water revenue)	2,945	3,040
California State Revolving Loan Fund (secured by water revenue)	5,443	4,877
California State Revolving Loan Fund (secured by water revenue)	8,668	8,735
2025 Certificate of Participation	14,250	0
2025 Certificate of Participation Premium	996	0
	46,561	31,760
 <u>Other:</u>		
Subscription Liability	319	303
Total debt	\$ 99,009	\$ 61,177

**South Tahoe Public Utility District  
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED  
For the year ended June 30, 2025**

For additional information on Outstanding Debt, see Note 7 in the Notes to the Financial Statements.

**Contacting the District's Financial Management**

This financial report is designed to provide the District's elected officials, customers, investors, and creditors with an assessment of the District's financial condition and an accounting of the public's money. If you have questions about this report or need more financial information, contact the Chief Financial Officer, South Tahoe Public Utility District, 1275 Meadow Crest Drive, South Lake Tahoe, CA 96150.

**SOUTH TAHOE PUBLIC UTILITY DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2025**  
**(WITH COMPARATIVE TOTALS FOR JUNE 30, 2024)**

	<b>Business-type Activities</b>		<b>Total</b>	
	<b>Enterprise Funds</b>			
	<b>Sewer</b>	<b>Water</b>	<b>2025</b>	<b>2024</b>
<b><u>ASSETS</u></b>				
Current assets				
Cash and cash equivalents (Note 2)	\$ 28,973,103	\$ 16,946,850	\$ 45,919,953	\$ 13,817,860
Investments (Note 2)	578,024	385,349	963,373	401,254
Accounts receivable, net of allowance (Note 3)	2,337,066	2,149,144	4,486,210	3,827,582
Due from governmental agencies (Note 3)	1,077,023	590,649	1,667,672	2,142,362
Property tax receivable	11,928,897	-	11,928,897	11,311,047
Interest receivable	156,819	104,111	260,930	282,872
Leases receivable - current (Note 5)	38,841	38,841	77,682	77,682
Other current assets	<u>392,713</u>	<u>1,322,975</u>	<u>1,715,688</u>	<u>1,478,599</u>
Total current assets	<u>45,482,486</u>	<u>21,537,919</u>	<u>67,020,405</u>	<u>33,339,258</u>
Noncurrent assets				
Restricted assets:				
Cash and cash equivalents (Note 2)	1,039,192	1,384,492	2,423,684	1,848,789
Certificate of deposit (Note 2)	<u>50,000</u>	<u>115,000</u>	<u>165,000</u>	<u>165,000</u>
Total restricted assets	<u>1,089,192</u>	<u>1,499,492</u>	<u>2,588,684</u>	<u>2,013,789</u>
Long-term accounts receivable (Note 3)	1,246,333	-	1,246,333	805,239
Due from governmental agencies (Note 3)	73,020	73,020	146,040	146,040
Investments (Note 2)	16,228,061	10,818,707	27,046,768	25,787,057
Capital assets, net of accumulated depreciation (Note 4)	141,572,797	119,313,327	260,886,124	253,874,735
Leases receivable - long-term (Note 5)	<u>788,580</u>	<u>788,580</u>	<u>1,577,160</u>	<u>1,636,716</u>
Total noncurrent assets	<u>160,997,983</u>	<u>132,493,126</u>	<u>293,491,109</u>	<u>284,263,576</u>
<b>Total Assets</b>	<u><b>206,480,469</b></u>	<u><b>154,031,045</b></u>	<u><b>360,511,514</b></u>	<u><b>317,602,834</b></u>
<b><u>DEFERRED OUTFLOW OF RESOURCES</u></b>				
Refunding loan costs	37,484	-	37,484	56,226
Changes in the net pension liability (Note 9)	<u>3,702,996</u>	<u>2,414,078</u>	<u>6,117,074</u>	<u>7,451,382</u>
<b>Total Deferred Outflows of Resources</b>	<u><b>\$ 3,740,480</b></u>	<u><b>\$ 2,414,078</b></u>	<u><b>\$ 6,154,558</b></u>	<u><b>\$ 7,507,608</b></u>

See accompanying notes to the basic financial statements.

**SOUTH TAHOE PUBLIC UTILITY DISTRICT  
STATEMENT OF NET POSITION (CONTINUED)  
JUNE 30, 2025  
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2024)**

	<b>Business-type Activities Enterprise Funds</b>		<b>Total</b>	
	<b>Sewer</b>	<b>Water</b>	<b>2025</b>	<b>2024</b>
<b><u>LIABILITIES</u></b>				
Current liabilities				
Accounts payable and other liabilities	\$ 2,348,834	\$ 1,420,113	\$ 3,768,947	\$ 4,536,978
Unearned revenue (Note 6)	-	17,337	17,337	18,113
Accrued expenses	16,062	100,564	116,626	42,684
Accrued payroll liabilities	346,754	243,545	590,299	463,703
Construction retainage	434,229	219,704	653,933	1,222,197
Accrued interest payable	668,015	477,784	1,145,799	335,334
Deposits payable	-	332,500	332,500	480,000
Compensated absences - current portion (Note 8)	904,261	669,746	1,574,007	1,579,608
Long term liabilities - current portion (Note 7)	<u>2,352,191</u>	<u>1,478,461</u>	<u>3,830,652</u>	<u>3,659,753</u>
Total current liabilities	<u>7,070,346</u>	<u>4,959,754</u>	<u>12,030,100</u>	<u>12,338,370</u>
Noncurrent liabilities				
Compensated absences - long term portion (Note 8)	987,970	723,069	1,711,039	1,235,882
Long term liabilities - long term portion (Note 7)	50,018,350	45,159,762	95,178,112	57,517,396
Net pension liability (Note 9)	<u>9,661,050</u>	<u>6,274,412</u>	<u>15,935,462</u>	<u>16,081,653</u>
Total long-term liabilities	<u>60,667,370</u>	<u>52,157,243</u>	<u>112,824,613</u>	<u>74,834,931</u>
<b>Total Liabilities</b>	<u>67,737,716</u>	<u>57,116,997</u>	<u>124,854,713</u>	<u>87,173,301</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>				
Property tax receivable	11,928,897	-	11,928,897	11,311,047
Changes in the net pension liability (Note 9)	74,403	49,602	124,005	298,037
Lease receivable (Note 5)	<u>774,332</u>	<u>774,332</u>	<u>1,548,664</u>	<u>1,625,778</u>
<b>Total Deferred Inflows of Resources</b>	<u>12,777,632</u>	<u>823,934</u>	<u>13,601,566</u>	<u>13,234,862</u>
<b><u>NET POSITION</u></b>				
Net Investment in capital assets	108,194,740	87,043,656	195,238,396	192,871,785
Restricted for security deposits	50,000	115,000	165,000	165,000
Restricted for debt service payment	1,039,192	1,384,492	2,423,684	1,848,789
Unrestricted	<u>20,421,669</u>	<u>9,961,044</u>	<u>30,382,713</u>	<u>29,816,705</u>
<b>Total Net Position</b>	<u>\$ 129,705,601</u>	<u>\$ 98,504,192</u>	<u>\$ 228,209,793</u>	<u>\$ 224,702,279</u>

See accompanying notes to the basic financial statements.

**SOUTH TAHOE PUBLIC UTILITY DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2025  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2024)**

	<b>Business-type Activities Enterprise Funds</b>		<b>Total</b>	
	<b>Sewer</b>	<b>Water</b>	<b>2025</b>	<b>2024</b>
<b><u>OPERATING REVENUE</u></b>				
Charges for sales and services:				
Service charges	\$ 20,658,700	\$ 16,795,562	\$ 37,454,262	\$ 33,346,144
Connection and service fees	614,090	761,276	1,375,366	1,161,267
Other operating income	<u>548,988</u>	<u>315,354</u>	<u>864,342</u>	<u>898,735</u>
Total operating revenues	<u>21,821,778</u>	<u>17,872,192</u>	<u>39,693,970</u>	<u>35,406,146</u>
<b><u>OPERATING EXPENSES</u></b>				
Salaries, wage and employee benefits	14,270,147	9,173,717	23,443,864	20,954,825
Depreciation and amortization	5,933,333	5,120,900	11,054,233	10,647,388
Utilities	4,265,444	2,041,652	6,307,096	5,436,894
Repairs and maintenance	1,475,904	2,271,025	3,746,929	3,977,927
Other operating expenses (Note 15)	<u>3,853,052</u>	<u>2,785,153</u>	<u>6,638,205</u>	<u>6,438,153</u>
Total operating expenses	<u>29,797,880</u>	<u>21,392,447</u>	<u>51,190,327</u>	<u>47,455,187</u>
<b>OPERATING LOSS</b>	<u>(7,976,102)</u>	<u>(3,520,255)</u>	<u>(11,496,357)</u>	<u>(12,049,041)</u>
<b><u>NONOPERATING REVENUE (EXPENSE)</u></b>				
Tax revenue	7,926,185	3,983,540	11,909,725	11,502,119
Investment earnings (Note 14)	1,541,906	975,189	2,517,095	1,675,063
Aid from governmental agencies	288,271	469,769	758,040	708,947
Other nonoperating income	105,504	284,825	390,329	424,122
Interest expense	(783,959)	(769,402)	(1,553,361)	(758,458)
Other expense	<u>(299,422)</u>	<u>(59,193)</u>	<u>(358,615)</u>	<u>(321,989)</u>
Total nonoperating revenue, net	<u>8,778,485</u>	<u>4,884,728</u>	<u>13,663,213</u>	<u>13,229,804</u>
<b>INCOME BEFORE CAPITAL CONTRIBUTIONS</b>	<u>802,383</u>	<u>1,364,473</u>	<u>2,166,856</u>	<u>1,180,763</u>
<b><u>CAPITAL CONTRIBUTIONS</u></b>				
Capital contributions	<u>251,789</u>	<u>1,088,869</u>	<u>1,340,658</u>	<u>1,632,635</u>
<b>CHANGE IN NET POSITION</b>	1,054,172	2,453,342	3,507,514	2,813,398
<b>TOTAL NET POSITION, BEGINNING OF YEAR</b>	<u>128,651,429</u>	<u>96,050,850</u>	<u>224,702,279</u>	<u>221,888,881</u>
<b>TOTAL NET POSITION, END OF YEAR</b>	<u>\$ 129,705,601</u>	<u>\$ 98,504,192</u>	<u>\$ 228,209,793</u>	<u>\$ 224,702,279</u>

See accompanying notes to the basic financial statements.

**SOUTH TAHOE PUBLIC UTILITY DISTRICT  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2025  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2024)**

	<u>Business-type Activities</u> <u>Enterprise Funds</u>		<u>Total</u>	
	<u>Sewer</u>	<u>Water</u>	<u>2025</u>	<u>2024</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>				
Receipts from customers	\$ 21,075,017	\$ 17,370,955	\$ 38,445,972	\$ 34,926,124
Payments to suppliers	(5,670,283)	(5,740,861)	(11,411,144)	(7,690,563)
Payments to employees	(12,820,979)	(8,598,508)	(21,419,487)	(19,194,724)
Other operating payments	<u>(3,853,052)</u>	<u>(2,785,153)</u>	<u>(6,638,205)</u>	<u>(6,438,153)</u>
<b>NET CASH (USED FOR) PROVIDED BY OPERATING ACTIVITIES</b>	<u>(1,269,297)</u>	<u>246,433</u>	<u>(1,022,864)</u>	<u>1,602,684</u>
<b><u>CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES</u></b>				
Tax revenue	7,308,335	3,983,540	11,291,875	10,966,989
Payments from (to) governmental agencies	<u>626,820</u>	<u>697,180</u>	<u>1,324,000</u>	<u>1,290,480</u>
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<u>7,935,155</u>	<u>4,680,720</u>	<u>12,615,875</u>	<u>12,257,469</u>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>				
Acquisition of capital assets	(10,382,329)	(7,683,293)	(18,065,622)	(23,005,284)
Repayment of debt	(2,474,684)	(1,228,866)	(3,703,550)	(3,618,325)
Proceeds from issuance of debt	25,491,147	16,028,291	41,519,438	13,308,282
Interest paid on long-term debt	(315,753)	(408,401)	(724,154)	(712,507)
Contributed capital	<u>251,789</u>	<u>1,088,869</u>	<u>1,340,658</u>	<u>1,632,635</u>
<b>NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>12,570,170</u>	<u>7,796,600</u>	<u>20,366,770</u>	<u>(12,395,199)</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>				
Investment earnings	1,270,615	791,071	2,061,686	1,242,467
Purchase of investments	(10,705,403)	(7,136,935)	(17,842,338)	(14,130,320)
Proceeds from sale of investments	<u>10,427,054</u>	<u>6,070,805</u>	<u>16,497,859</u>	<u>15,547,668</u>
<b>NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES</b>	<u>992,266</u>	<u>(275,059)</u>	<u>717,207</u>	<u>2,659,815</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>20,228,294</u>	<u>12,448,694</u>	<u>32,676,988</u>	<u>4,124,769</u>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>9,784,001</u>	<u>5,882,648</u>	<u>15,666,649</u>	<u>11,541,880</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 30,012,295</u>	<u>\$ 18,331,342</u>	<u>\$ 48,343,637</u>	<u>\$ 15,666,649</u>

See accompanying notes to the basic financial statements.

**SOUTH TAHOE PUBLIC UTILITY DISTRICT  
STATEMENT OF CASH FLOWS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2025  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2024)**

	<u>Business-type Activities</u> <u>Enterprise Funds</u>		<u>Total</u>	
	<u>Sewer</u>	<u>Water</u>	<u>2025</u>	<u>2024</u>
<b><u>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION</u></b>				
Unrestricted cash and cash equivalents	\$ 28,973,103	\$ 16,946,850	\$ 45,919,953	\$ 13,817,860
Restricted cash and cash equivalents	<u>1,039,192</u>	<u>1,384,492</u>	<u>2,423,684</u>	<u>1,848,789</u>
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b><u>\$ 30,012,295</u></b>	<b><u>\$ 18,331,342</u></b>	<b><u>\$ 48,343,637</u></b>	<b><u>\$ 15,666,649</u></b>
<b><u>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</u></b>				
Operating loss	\$ (7,976,102)	\$ (3,520,255)	\$ (11,496,357)	\$ (12,049,041)
Adjustments to reconcile operating loss to net cash (used for) provided by operating activities:				
Depreciation and amortization	5,779,901	5,057,619	10,837,520	10,647,388
Net change in deferred outflows and inflows	1,275,457	425,555	1,701,012	102,245
Construction-in-progress write-off	153,432	63,281	216,713	382,536
(Increase) decrease in:				
Receivables	(746,761)	(352,961)	(1,099,722)	(597,130)
Other assets	(29,714)	(207,375)	(237,089)	(98,555)
Increase (decrease) in:				
Accounts payable	372,004	(1,140,035)	(768,031)	1,220,030
Net pension liability	(87,715)	(58,476)	(146,191)	1,639,512
Unearned revenue	-	(776)	(776)	7,108
Other payables	<u>(9,799)</u>	<u>(20,144)</u>	<u>(29,943)</u>	<u>348,591</u>
<b>NET CASH (USED FOR) PROVIDED BY OPERATING ACTIVITIES</b>	<b><u>\$ (1,269,297)</u></b>	<b><u>\$ 246,433</u></b>	<b><u>\$ (1,022,864)</u></b>	<b><u>\$ 1,602,684</u></b>
<b><u>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</u></b>				
Increase in fair value of investments	\$ 252,422	\$ 160,812	\$ 413,234	\$ 697,522
Acquisition of subscription assets	309,369	-	309,369	-
Inception of subscription liabilities	<u>(309,369)</u>	<u>-</u>	<u>(309,369)</u>	<u>-</u>
<b>Total Non-Cash Investing, Capital, and Financing Activities</b>	<b><u>\$ 252,422</u></b>	<b><u>\$ 160,812</u></b>	<b><u>\$ 413,234</u></b>	<b><u>\$ 697,522</u></b>

See accompanying notes to the basic financial statements.

**SOUTH TAHOE PUBLIC UTILITY DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2025**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The South Tahoe Public Utility District (the "District"), a public agency established on September 28, 1950, (pursuant to Section 9 of "The Public Utility District Act") supplies drinking water and provides sewage collection, treatment, and export to protect Tahoe's delicate ecosystem. Managing this complex operation requires an uncommon environmental sensitivity.

For financial reporting purposes, the District includes all funds that are controlled by or dependent on the District's Board of Directors. Management has determined the District to be a single reporting entity for financial reporting purposes by applying the criteria set forth in Statement of Governmental Accounting Standards No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*. This criteria requires the reporting entity to have a separate elected governing body, that it be a legal separate entity and fiscally independent.

The District reports the following major funds:

Sewer Enterprise Fund - This fund is used to account for wastewater business-like activities provided to the general public. These activities are financed by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

Water Enterprise Fund - This fund is used to account for water business-like activities provided to the general public. These activities are financed by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

**B. Measurement Focus, Basis of Accounting and Presentation**

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

Measurement Focus

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

Basis of Accounting

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

**C. Budget**

The District develops and adopts an annual budget; however, this budget is a management tool and is not a legal requirement.

**D. Cash and Cash Equivalents**

The District considers cash and all highly liquid debt instruments with original maturities of three months or less to be cash equivalents. The District's cash and cash equivalents consist of cash, deposits in financial institutions, money market accounts, certificates of deposit and pooled investments. Cash and cash equivalents invested for specific requirements, such as deposits for construction projects, are segregated as restricted cash and cash equivalents.

Deposits of cash and cash equivalents must comply with the District's Investment Policy which complies with the California Government Code. The policy requires deposits in financial institutions to be FDIC insured or fully collateralized.

**SOUTH TAHOE PUBLIC UTILITY DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2025**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Investments**

Investments consist of unrestricted and restricted federal agency notes, corporate notes, supranationals, municipal bonds, treasury obligations and certificates of deposit. The District records its investments at fair value. Changes in fair value are reported as investment earnings in the statement of revenues, expenses, and changes in net position.

Monies not required for the immediate operations of the District are invested in accordance with the District's Investment Policy.

**F. Accounts Receivable**

Accounts receivable represent service charges and other revenues billed and uncollected at year-end, along with amounts accrued for items billed after year-end for service periods before year-end. Each year the District records liens for delinquent charges and collects through the property tax bill for active accounts, and pursues full-collection for closed accounts with unpaid balances. The District records an allowance for doubtful accounts for non-recoverable collections.

**G. Inventory**

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

**H. Capital Assets**

Capital assets are recorded at cost except in those cases where facilities are donated by private developers or special assessment districts. In the latter cases, assets are recorded at acquisition value. At the date of donation, assets are capitalized when they are expected to have useful lives of three years or greater and the original cost is \$5,000 or more. All depreciation is computed on the straight-line basis over the following useful lives:

	<u>Years</u>
<u>Sewer Enterprise</u>	
Subsurface lines	10 - 70
Sewage collection facilities	5 - 40
Sewage treatment	3 - 40
Sewage disposal	5 - 100
General plant and administration	3 - 50
 <u>Water Enterprise</u>	
Source of supply	10 - 40
Pumping plant	12 - 30
Water treatment plant	4 - 35
Transmission and distribution	20 - 74
General plant	3 - 20

**I. Compensated Absences**

It is the District's policy to permit employees to accumulate earned but unused vacation and sick leave, which will be paid to employees upon separation from the District's service. For employees hired after January 1, 2013, earned but unused sick time will not be paid upon separation from the District's services. The cost of vacation and sick leave is recorded in the period accrued.

**J. Pension Plan**

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the South Tahoe Public Utility District PERS (the Plan), and additions to/deductions from the Plan's 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. Plan investments are reported at fair value.

**SOUTH TAHOE PUBLIC UTILITY DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2025**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**K. Capital Contributions**

Capital contributions are grant monies received from the federal and state government in aid of construction, and assets contributed by Special Assessment Districts or real estate developers.

**L. Estimates**

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

**M. Operating and Non-operating Revenues and Expenses**

Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the principal ongoing operations of sewer and water services. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**N. Property taxes**

Secured property taxes are attached as an enforceable lien and levied on property as of January 1st. Taxes are due in two installments, on or before December 10th and April 10th. The District recognizes property tax receivables on January 1st and defers revenue recognition until the period for which the property taxes are levied (July 1st through June 30th). Property tax revenue is derived from property tax assessments levied within the entire District. The Board of Directors is using these funds to subsidize the Water and Sewer Enterprise Fund operations. The District relies upon the competency of the County of El Dorado for assessing the property tax and establishing a lien date, and for billing, collecting and distributing its share of the property tax revenue.

**O. Restricted Resources**

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

**P. Deferred Outflows and Inflows of Resources**

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

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

**Q. Net Position**

Net position represents the residual interest in District assets and deferred outflows after liabilities and deferred inflows are deducted. Net position is presented in three broad components: net investment in capital assets; restricted; and unrestricted. Net investment in capital assets includes capital assets, net of accumulated depreciation, and outstanding principal balances of debt and related deferred outflows and inflows attributable to the acquisition, construction or improvement of those assets. Net position is restricted when constraints are imposed by third parties or by law through constitutional provisions or enabling legislation. All other net position is unrestricted. Operating losses outside of depreciation are funded by operating and capital reserves.

**SOUTH TAHOE PUBLIC UTILITY DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2025**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**R. Leases**

Lessor

The District is a lessor for noncancellable leases for cell tower sites. The District recognizes a lease receivable and a deferred inflow of resources in the financial statements.

At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the District determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The District uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

The District monitors changes in circumstances that would require a remeasurement of its leases, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

**S. Subscription-Based Information Technology Arrangements (SBITA)**

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

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

**T. Comparative Information**

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

**U. Implementation of Government Accounting Standards Board Statements**

Effective July 1, 2024, the District implemented the following accounting and financial reporting standards:

Governmental Accounting Standards Board Statement No. 101

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The primary objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences by aligning the recognition and measurement guidance under a unified model and amending certain previously required disclosures. There was no financial impact to the District as a result of implementation.

**SOUTH TAHOE PUBLIC UTILITY DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2025**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Governmental Accounting Standards Board Statement No. 102

In December 2023, GASB issued Statement No, 102, *Certain Risk Disclosures*. The primary objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. A *concentration* is defined as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A *constraint* is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. There was no financial impact to the District as a result of implementation.

**V. Future Government Accounting Standards Board Statements**

These statements are not effective until July 1, 2025 or later and may be applicable for the District. However, the District has not determined what impact, if any, these pronouncements will have on the financial statements.

Governmental Accounting Standards Board Statement No. 103

In April 2024, GASB issued Statement No, 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. The requirements of this statement are effective for the District's fiscal year ending June 30, 2026.

Governmental Accounting Standards Board Statement No. 104

In September 2024, GASB issued Statement No, 104, *Disclosure of Certain Capital Assets*. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34 and also requires additional disclosures for capital assets held for sale. The requirements of this statement are effective for the District's fiscal year ending June 30, 2026.

**SOUTH TAHOE PUBLIC UTILITY DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2025**

**NOTE 2: CASH AND INVESTMENTS**

Cash and investments as of June 30, 2025 consisted of the following:

Cash and cash equivalents:

Unrestricted:	
Cash on hand	\$ 2,450
Unrestricted deposits in financial institutions	44,479,857
Deposits in Local Agency Investment Fund (LAIF)	997,262
Deposits in El Dorado County Treasury	364,555
Deposits in California Asset Management Program (CAMP)	<u>75,829</u>
Total unrestricted cash and cash equivalents	<u>45,919,953</u>
Restricted:	
Restricted for debt service payments	<u>2,423,684</u>
Total restricted cash and cash equivalents	<u>2,423,684</u>
Total cash and cash equivalents	<u>48,343,637</u>

Investments:

Unrestricted:	
Federal agency and instrumentalities	2,840,581
U.S. corporate debt	7,990,788
Asset backed securities	5,482,489
Municipal bonds	296,203
U.S. Treasury obligations	11,196,546
Negotiable certificates of deposit	<u>203,534</u>
Total unrestricted investments	<u>28,010,141</u>
Restricted:	
Negotiable certificates of deposit - security deposits	<u>165,000</u>
Total investments	<u>28,175,141</u>
Total cash and investments	<u>\$ 76,518,778</u>

**SOUTH TAHOE PUBLIC UTILITY DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2025**

**NOTE 2: CASH AND INVESTMENTS (CONTINUED)**

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

The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury obligations	5 Years	None	None
Federal agency and instrumentalities			
Callable	5 Years	25%	None
Asset backed securities	5 Years	20%	None
Other	5 Years	None	None
Supranationals	5 Years	30%	None
Municipal bonds	5 Years	None	None
U.S. corporate debt	5 Years	30%	10%
Negotiable certificates of deposit	5 Years	30%	10%
Commercial paper	270 days	25%	10%
Bank deposits	N/A	20%	10%
Bankers' acceptances	180 days	40%	10%
Pooled investment funds			
LAIF	N/A	None	None
CAMP	N/A	None	None
El Dorado County pool	N/A	None	None
Money market funds	N/A	20%	10%

Interest Rate Risk

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

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

**SOUTH TAHOE PUBLIC UTILITY DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2025**

**NOTE 2: CASH AND INVESTMENTS (CONTINUED)**

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity as of June 30, 2025:

Investment Type	Investment Maturities (in years)			
	Fair Value	Less than 1	1-2	3-5
Federal agency and instrumentalities	\$ 2,840,581	\$ 485,416	\$ 761,237	\$ 1,593,928
U.S. corporate debt	7,990,788	287,707	3,739,603	3,963,478
Asset backed securities	5,482,489	10,073	333,801	5,138,615
Municipal bonds	296,203	-	-	296,203
U.S. Treasury obligations	11,196,546	5,502,026	5,694,520	-
Negotiable certificates of deposit	368,534	368,534	-	-
	<u>\$ 28,175,141</u>	<u>\$ 6,653,756</u>	<u>\$ 10,529,161</u>	<u>\$ 10,992,224</u>

As provided in the Investment Policy, the District should target a maximum allocation of 25% to callable Federal agency securities.

Concentration of Credit Risk

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

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

Presented below is the actual rating as of June 30, 2025 for each investment type.

Investment Type	Total	Rating as of Fiscal Year End	
		S&P	N/A
Federal agency and instrumentalities	\$ 2,840,581	AA+	
Municipal bonds	85,000	AA	
Municipal bonds	95,177	AA-	
Municipal bonds	116,026		Not rated
U.S. corporate debt	1,870,072	A	
U.S. corporate debt	1,564,394	A-	
U.S. corporate debt	2,253,203	A+	
U.S. corporate debt	256,972	AA	
U.S. corporate debt	1,060,176	AA-	
U.S. corporate debt	300,519	AAA+	
U.S. corporate debt	188,104	AAA+	
U.S. corporate debt	497,348	BBB+	
Asset-backed security	4,421,308	AAA	
Asset-backed security	1,061,181		Not rated
U.S. Treasury obligations	11,196,546	AA+	
Negotiable certificates of deposit	203,534	A+	
Negotiable certificates of deposit	165,000		Not rated
	<u>\$ 28,175,141</u>		

**SOUTH TAHOE PUBLIC UTILITY DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2025**

**NOTE 2: CASH AND INVESTMENTS (CONTINUED)**

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the depositor will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's Investment Policy requires the financial institution to either collateralize the deposits or cover them with Federal deposit insurance. The District's cash and deposits in financial institutions, totaling \$30,791,890 as of June 30, 2025, are secured by federal depository insurance for \$618,552 with the remainder covered by collateral held by an agent of the pledging bank in the District's name.

Investment Valuation

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

Following is a description of the valuation methodologies used to estimate the fair value of investments. There have been no changes in the valuation techniques used at June 30, 2025. The methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while District management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

*U.S. Treasuries, Government Agencies, Corporate Bonds, Municipal Bonds, Asset Backed Securities, and Negotiable Certificates of Deposit:* Fair values are based on quoted market prices for similar securities in markets that are not active, and model-based techniques for which all significant assumptions are observable in the market, resulting in a level 2 valuation.

The following tables set forth by level, within the fair value hierarchy, the District's assets at fair value as of June 30, 2025.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Federal agency and instrumentalities	\$ -	\$ 2,840,581	\$ -	\$ 2,840,581
U.S corporate debt	-	7,990,788	-	7,990,788
Asset backed securities	-	5,482,489	-	5,482,489
Municipal bonds	-	296,203	-	296,203
U.S. Treasury obligations	-	11,196,546	-	11,196,546
Negotiable certificates of deposit	-	368,534	-	368,534
Total assets at fair value	<u>\$ -</u>	<u>\$ 28,175,141</u>	<u>\$ -</u>	<u>\$ 28,175,141</u>

**SOUTH TAHOE PUBLIC UTILITY DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2025**

**NOTE 3: ACCOUNTS RECEIVABLE AND AMOUNTS DUE FROM GOVERNMENTAL AGENCIES**

Short-term receivables at June 30, 2025 consisted of the following:

	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
Customer receivables	\$ 2,391,946	\$ 2,097,481	\$ 4,489,427
Other receivables	11,847	104,438	116,285
Allowance for doubtful accounts	<u>(66,727)</u>	<u>(52,775)</u>	<u>(119,502)</u>
Accounts receivable, net of allowance	<u>\$ 2,337,066</u>	<u>\$ 2,149,144</u>	<u>\$ 4,486,210</u>
Due from Federal Government	\$ 860,524	\$ 318,064	\$ 1,178,588
Due from California	216,499	221,645	438,144
Due from El Dorado County	<u>-</u>	<u>50,940</u>	<u>50,940</u>
Due from governmental agencies	<u>\$ 1,077,023</u>	<u>\$ 590,649</u>	<u>\$ 1,667,672</u>

Long-term receivables at June 30, 2025 consisted of the following:

	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
Accounts receivable			
Customer receivables	<u>\$ 1,246,333</u>	<u>\$ -</u>	<u>\$ 1,246,333</u>
Due from governmental agencies			
Due from California	<u>\$ 73,020</u>	<u>\$ 73,020</u>	<u>\$ 146,040</u>

Long-term customer receivables are submitted to the County of El Dorado for collection through a special property tax assessment or if unpaid, ultimately through foreclosure on the property.

**SOUTH TAHOE PUBLIC UTILITY DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2025**

**NOTE 4: CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2025 was as follows:

	<u>July 1, 2024</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2025</u>
Capital assets not being depreciated					
Land and easement	\$ 25,131,228	\$ 231,207	\$ -	\$ -	\$ 25,362,435
Water rights	1,668,308	-	-	-	1,668,308
Construction in progress	<u>30,200,193</u>	<u>10,851,465</u>	<u>(216,714)</u>	<u>(9,597,809)</u>	<u>31,237,135</u>
Total capital assets not being depreciated	<u>56,999,729</u>	<u>11,082,672</u>	<u>(216,714)</u>	<u>(9,597,809)</u>	<u>58,267,878</u>
Capital assets being depreciated					
Plant and equipment	403,178,191	6,969,061	(750,080)	9,597,809	418,994,981
Intangible right-to-use software agreements	<u>647,930</u>	<u>313,658</u>	<u>(148,281)</u>	<u>-</u>	<u>813,307</u>
Total capital assets being depreciated and amortized	<u>403,826,121</u>	<u>7,282,719</u>	<u>(898,361)</u>	<u>9,597,809</u>	<u>419,808,288</u>
Less accumulated depreciation and amortization					
Plant and equipment	(206,700,008)	(10,816,089)	667,025	-	(216,849,072)
Intangible right-to-use software agreements	<u>(251,107)</u>	<u>(238,144)</u>	<u>148,281</u>	<u>-</u>	<u>(340,970)</u>
Total accumulated depreciation and amortization	<u>(206,951,115)</u>	<u>(11,054,233)</u>	<u>815,306</u>	<u>-</u>	<u>(217,190,042)</u>
Total capital assets being depreciated, net	<u>600,701,127</u>	<u>(3,771,514)</u>	<u>(83,055)</u>	<u>9,597,809</u>	<u>622,426,534</u>
Capital assets, net	<u>\$ 253,874,735</u>	<u>\$ 7,311,158</u>	<u>\$ (299,769)</u>	<u>\$ -</u>	<u>\$ 260,886,124</u>

**SOUTH TAHOE PUBLIC UTILITY DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2025**

**NOTE 4: CAPITAL ASSETS (CONTINUED)**

Construction in progress as of June 30, 2025 consisted of the following:

Al Tahoe Pump St Rehab	\$ 184,489
Al Tahoe Well Rehab	355,040
Al Tahoe/Bayview Backup Power	950,427
Baldwin Beach Gravity Rehab/Replacement	195,815
Baldwin Beach Pump Station	162,326
Bayview Well Rehab	142,269
Bijou #1 Waterline Replacement	285,992
Bijou PS Rehab	569,215
Blower System Upgrades	646,645
CMMS Implementation	180,671
Collection System Master Plan	460,808
Dead End Improvement Program	143,623
Filters 3 & 4	1,503,143
FLL ES 1-3 Stanford Camp Rehab	1,579,051
Glenwood Rancho Waterline	120,969
Lake Tahoe Blvd Waterline Replacement	94,555
Lead Service Lines Program	92,046
Master Plan-Alpine County	342,506
Meter Installation Final Phase	1,006,016
Paloma Well Rehab 2021	817,302
Pioneer Tr Waterline	194,709
RAS Building Rehab	802,650
SCADA Upgrades	155,454
Secondary Clarifier #1 Rehab	2,763,659
Submersible Pump, EP Station	163,967
Tahoe Keys Sewer PS Rehab	6,634,320
Tahoe Mountain Waterline	103,391
Upper Truckee Sewer PS Rehab	4,228,051
Water Efficiency/Loss Data System Impl.	142,866
Water System Optimization Plan	162,466
Waterline - Herbert Walkup Ph1	4,465,765
Other projects	<u>1,586,929</u>
	<u>\$ 31,237,135</u>

Depreciation and amortization expense for the year ended June 30, 2025 was charged to the different activities as follows:

Sewer	\$ 5,933,333
Water	<u>5,120,900</u>
	<u>\$ 11,054,233</u>

**SOUTH TAHOE PUBLIC UTILITY DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2025**

**NOTE 5: LEASES RECEIVABLE**

The District is reporting leases receivable of \$1,654,842 (split between current amount \$77,682 and noncurrent amount of \$1,577,160) at June 30, 2025. For 2025, the District reported lease revenue of \$60,956 and interest revenue of \$833 related to lease payments received. These leases are summarized as follows:

<u>Lease</u>	<u>Lease Receivable</u>	<u>Lease Revenue</u>	<u>Lease Interest Revenue</u>
AT&T	\$ 577,982	\$ 19,526	\$ 267
Verizon	<u>1,076,860</u>	<u>41,430</u>	<u>566</u>
Total	<u>\$ 1,654,842</u>	<u>\$ 60,956</u>	<u>\$ 833</u>

*AT&T Lease* - On September 19, 2021, the District entered into an initial five year lease agreement with AT&T, Inc. for the lease of a certain portion of property owned by the District. Based on this agreement, the District is receiving monthly payments through 2026. There are four extension options of five years each. The District is reasonably certain the lessee will renew this lease for the four extensions.

*Verizon Lease* - On January 25, 2019, the District entered into an initial five year lease agreement with Verizon Communications, Inc. for the lease of a certain portion of property owned by the District. Based on this agreement, the District is receiving monthly payments through 2024. There are four extension options of five years each. The District is reasonably certain the lessee will renew this lease for the four extensions.

At June 30, 2025, future minimum lease payments due to the District are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2026	\$ 62,785
2027	64,668
2028	66,608
2029	68,606
2030	70,665
2031 - 2035	386,422
2036 - 2040	447,970
2041 - 2045	462,788
2046 - 2047	<u>45,471</u>
Total lease payments	1,675,983
Less interest	<u>(21,141)</u>
Present value of leases receivable	<u>\$ 1,654,842</u>

**NOTE 6: UNEARNED REVENUE**

Unearned revenue represents revenues that had been collected or billed, but not yet earned. Unearned revenue consisted of the following at June 30, 2025:

	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
Meters sold but not issued	<u>\$ -</u>	<u>\$ 17,337</u>	<u>\$ 17,337</u>

**SOUTH TAHOE PUBLIC UTILITY DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2025**

**NOTE 7: LONG TERM LIABILITIES**

During the year ended June 30, 2025, the following changes occurred in long-term liabilities:

	<u>July 1, 2024</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2025</u>	<u>Current Portion</u>
2012 Sewer Refunding	\$ 501,858	\$ -	\$ (501,858)	\$ -	\$ -
2013 Sewer Refunding	2,293,230	-	(635,308)	1,657,922	651,033
SRF Luther Pass Power	3,763,006	-	(129,846)	3,633,160	131,923
SRF Diamond Valley Ranch Irrigation Imp.	6,479,113	-	(223,567)	6,255,546	227,144
SRF Aeration Basin #2 Rehabilitation	896,416	-	(30,560)	865,856	31,080
SRF Primary Clarifier #1 Rehabilitation	485,803	-	(16,562)	469,241	16,843
Chase Bank Sewer Loan	3,027,669	-	(327,923)	2,699,746	335,111
2021 Wastewater Revenue Refunding Bond	4,285,000	-	(500,000)	3,785,000	520,000
Tahoe Keys Wastewater Pump Station Rehab	4,411,501	621,595	-	5,033,096	146,888
Upper Truckee SPS Rehab	412,567	1,886,794	-	2,299,361	-
SRF Secondary Clarifiers	1,899,551	2,686,556	-	4,586,107	136,140
2025 Wastewater COP	-	18,955,000	-	18,955,000	-
Premium on bond	657,509	1,341,200	(109,058)	1,889,651	-
2013 Water Refunding	2,653,609	-	(417,692)	2,235,917	427,227
SRF Meters Phase 1	2,627,337	-	(116,771)	2,510,566	58,385
SRF Meters Phase 2	779,225	-	(52,148)	727,077	52,986
SRF Meters Phase 3 - 5	9,048,203	-	(263,205)	8,784,998	267,942
SRF Waterline Replacement	3,039,912	-	(94,529)	2,945,383	96,144
Keller Heavenly Water System Improvement Project	4,877,313	565,568	-	5,442,881	246,346
Rocky I SRF Loan	8,735,433	200,000	(267,643)	8,667,790	251,665
2025 Water COP	-	14,250,000	-	14,250,000	-
Premium on COP	-	1,012,724	(16,879)	995,845	-
Subscription (SBITA) Liability	<u>302,894</u>	<u>309,369</u>	<u>(293,642)</u>	<u>318,621</u>	<u>233,795</u>
Total	<u>\$ 61,177,149</u>	<u>\$ 41,828,806</u>	<u>\$ (3,997,191)</u>	<u>\$ 99,008,764</u>	<u>\$ 3,830,652</u>

A description of the long-term liabilities at June 30, 2025 follows:

2012 Sewer Refunding

2012 Sewer Installment Sale Agreement with BBVA Compass Bank, secured by a first lien against all sewer revenues, due September 1, 2024, payable \$507,630 semi-annually, including interest at 2.3%. The original amount of the debt was \$10,605,000 and was used for construction of sewer infrastructure improvements and was also used to repay the 2004 Sewer Revenue Certificates of Participation, which funded sewer infrastructure improvements.

2013 Sewer Refunding

2013 Sewer Installment Sale Agreement with BBVA Compass Bank, secured by a first lien against all sewer revenues, due August 2027, payable \$343,919 semi-annually, including interest at 2.46%. The original amount of the debt was \$8,400,000 and was used to repay the 2007 Sewer Installment Sale Agreement, which funded sewer infrastructure improvements.

SRF Luther Pass Power

2015 California State Water Resources Control Board Revolving Fund Loan secured by a first lien against all sewer revenues, due August 30, 2047, payable \$190,054 annually, including interest of 1.6%. The original amount of the debt was \$4,444,057 and was used for construction of Luther Pass Pump Station upgrades.

**SOUTH TAHOE PUBLIC UTILITY DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2025**

**NOTE 7: LONG TERM LIABILITIES (CONTINUED)**

*SRF Diamond Valley Ranch Irrigation Improvement*

2015 California State Water Resources Control Board Revolving Fund Loan secured by a first lien against all sewer revenues, due December 31, 2047, payable \$322,058 annually, including interest of 1.6%. The original amount of the debt was \$8,860,890 and was used for construction of the Diamond Valley Ranch Irrigation improvements.

*SRF Aeration Basin #2 Rehabilitation*

2018 California State Water Resources Control Board Revolving Fund Loan secured by a first lien against all sewer revenues, due December 31, 2047, payable \$45,799 annually, including interest of 1.7%. The original amount of the debt was \$1,070,077 and was used for the rehabilitation of aeration basin #2.

*SRF Primary Clarifier #1 Rehabilitation*

2018 California State Water Resources Control Board Revolving Fund Loan secured by a first lien against all sewer revenues, due December 31, 2047, payable \$24,820 annually, including interest of 1.7%. The original amount of the debt was \$580,153 and was used for the rehabilitation of primary clarifier #1.

*Chase Bank Sewer Loan*

2017 Installment Sale Agreement with Chase Bank, secured by a first lien against all sewer revenues, due December 1, 2032, payable \$196,074 semi-annually, including interest at 2.18%. The original amount of the debt was \$5,000,000 and was used for construction of the sewer plant generator and building.

*2021 Wastewater Revenue Refunding Bond*

2021 Wastewater Revenue Refunding Bond, secured by a first pledge of net revenues of the wastewater system, due August 1, 2031, payable semi-annually, including interest at 2 - 4%. The original amount of the bond was \$5,745,000 and was used for prepayment of the outstanding principal balances of three loans from the California State Water Resources Control Board and prepayment of Installment Sale Agreement with BBVA Compass Bank, all of which funded wastewater infrastructure improvements. The bond issuance included an original issue premium of \$932,073, which is being amortized over the life of the bonds.

*Tahoe Keys Wastewater Pump Station Rehabilitation Project*

During the fiscal year ended June 30, 2022, the District entered into a loan agreement with the State Water Resources Control Board's Division of Financial Assistance. The loan is dated February 14, 2022, and is in the principal amount of up to \$6,189,331. The District is drawing down on the loan as the project progresses. Annual payments will begin July 2025. Interest is to accrue at a rate of 0.9% per annum and will begin with each disbursement. Final payment date is set at July 31, 2059.

*Upper Truckee SPS Rehab*

During the fiscal year ended June 30, 2022, the District entered into a loan agreement with the State Water Resources Control Board's Division of Financial Assistance. The loan is dated March 14, 2022, and is in the principal amount of up to \$4,280,375. The District is drawing down on the loan as the project progresses. Annual payments will begin December 2025. Interest is to accrue at 0.8% per annum and will begin with each disbursement. Final payment date is set at December 31, 2054.

**SOUTH TAHOE PUBLIC UTILITY DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2025**

**NOTE 7: LONG TERM LIABILITIES (CONTINUED)**

SRF Secondary Clarifiers

During the fiscal year ended June 30, 2022, the District entered into a loan agreement with the State Water Resources Control Board's Division of Financial Assistance. The loan is dated March 25, 2022, and is in the principal amount of up to \$5,281,344. The District is drawing down on the loan as the project progresses. Annual payments will begin March 2026. Interest is to accrue at 0.8% per annum and will begin with each disbursement. Final payment date is set at March 30, 2054.

2025 Wastewater COP

On January 15, 2025, the District issued the 2025 Wastewater Revenue Certificates of Participation in the principal amount of \$18,955,000 to provide funds to finance capital improvement projects of the District for its wastewater system. Interest is payable on February 1 and August 1 of each year commencing August 1, 2025 with an interest rate of 5%. Principal payments will begin August 1, 2028 with maturity on August 1, 2054.

2013 Water Refunding

2013 Water Installment Sale Agreement with BBVA Compass Bank, secured by a first lien against all water revenues, due January 30, 2030, payable \$237,786 semi-annually, including interest at 2.27%. The original amount of the debt was \$10,000,000 and was used for construction of water infrastructure improvements and was also used to repay the 2001 Water Refunding and 1999 Installment Sale Agreement, both of which funded water infrastructure improvements.

SRF Meters Phase 1

2014 California State Water Resources Control Board Revolving Fund Loan secured by a first lien against all water revenues, due January 1, 2047, payable \$58,385 semi-annually, including interest of 0%. The original amount of the debt was \$3,503,116 and was used for installation of water meters. Imputed interest for this loan is not material.

SRF Meters Phase 2

2017 California State Water Resources Control Board Revolving Fund Loan secured by a first lien against all water revenues, due July 1, 2037, payable \$32,204 semi-annually, including interest of 1.6%. The original amount of the debt was \$1,098,593 and was used for installation of water meters.

SRF Meters Phase 3-5

In 2018, the District entered into a revolving fund loan agreement with California State Water Resources Control Board to provide funding for phases 3 through 5 of the water meter installation project. The loan is secured by a first lien against all water revenues. Funds are drawn on the agreement as work is completed up to a maximum approved amount of \$14,010,534. Annual principal and interest payments will occur each April 22, commencing April 15, 2022. This loan accrues interest at a rate of 1.8% annually. As of June 30, 2025 the District incurred a total of \$13,829,053 in Phase 3 - 5 costs, of which \$4,000,000 has been forgiven.

SRF Waterline Replacement

In 2018, the District entered into a revolving fund loan agreement with California State Water Resources Control Board to provide funding for the waterline replacement project. The loan is secured by a first lien against all water revenues. Funds are drawn on the agreement as work is completed up to a maximum approved amount of \$3,627,005. Semi-annual principal payments will occur each January 1 and July 1, commencing January 1, 2020. The loan accrues interest at a rate of 1.7% annually. Final payment is due July 1, 2049.

Keller Heavenly Water System Improvement Project

In 2021, the District entered into a revolving fund loan agreement with California State Water Resources Control Board to provide funding for the drinking water construction project. The loan is secured by a first lien against all water revenues. Funds are drawn on the agreement as work is completed up to a maximum approved amount of \$5,500,000. Annual principal payments will occur each October 15, commencing October 15, 2024. The loan accrues interest at a rate of 1.2% annually. Final payment is due October 15, 2043.

**SOUTH TAHOE PUBLIC UTILITY DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2025**

**NOTE 7: LONG TERM LIABILITIES (CONTINUED)**

2021 Rocky I SRF Loan

During the fiscal year ended June 30, 2022, the District entered into a loan agreement with the State Water Resources Control Board's Division of Financial Assistance. The loan is dated February 23, 2022, and is in the principal amount of up to \$9,000,000. The District is drawing down on the loan as the project progresses. Annual payments will begin December 2024. Interest is to accrue at a rate of 1.2% per annum and will begin with each disbursement. Final payment date is set at December 31, 2053.

2025 Water COP

On January 15, 2025, the District issued the 2025 Water Revenue Certificates of Participation in the principal amount of \$14,250,000 to provide funds to finance capital improvement projects of the District for its water system. Interest is payable on February 1 and August 1 of each year commencing August 1, 2025 with an interest rate of 5%. Principal payments will begin August 1, 2030 with maturity on August 1, 2054.

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

<u>Years ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 3,596,857	\$ 2,545,365	\$ 6,142,222
2027	3,794,419	2,488,730	6,283,149
2028	3,532,576	2,411,381	5,943,957
2029	3,599,127	2,336,168	5,935,295
2030	3,686,161	2,254,422	5,940,583
2031 - 2035	15,373,229	10,079,812	25,453,041
2036 - 2040	15,008,601	8,369,239	23,377,840
2041 - Thereafter	<u>47,213,678</u>	<u>11,865,121</u>	<u>59,078,799</u>
	<u>\$ 95,804,648</u>	<u>\$ 42,350,238</u>	<u>\$ 138,154,886</u>

Interest charges on debt for the year ended June 30, 2025 totaled \$1,648,307.

Debt covenants for the installment sale agreements to BBVA Compass Bank and the California State Water Resource Control Board Revolving Fund include thresholds for minimum net water and sewer revenue and maximum outstanding debt obligations. The District is in compliance with the requirements as of June 30, 2025.

*Subscriptions (SBITAs)*

The District has entered into subscription-based information technology arrangements (SBITAs) involving various software subscriptions. The total costs of the District's subscription assets are recorded as \$813,307, less accumulated amortization of \$340,971.

The future subscription payments under SBITA agreements are as follows:

<u>Years ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 233,795	\$ 9,691	\$ 243,486
2027	<u>84,826</u>	<u>2,580</u>	<u>87,406</u>
Total	<u>\$ 318,621</u>	<u>\$ 12,271</u>	<u>\$ 330,892</u>

**SOUTH TAHOE PUBLIC UTILITY DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2025**

**NOTE 8: COMPENSATED ABSENCES**

Compensated absences balance and activity for the year ended June 30, 2025 were as follows:

	<u>July 1, 2024</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2025</u>	<u>Current Portion</u>
Compensated absences	\$ <u>2,815,490</u>	\$ <u>469,556</u>	\$ <u>-</u>	\$ <u>3,285,046</u>	\$ <u>1,574,007</u>

**NOTE 9: PENSION PLAN**

**A. General Information about the Pension Plan**

Plan Description

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

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits.

The District has one local Miscellaneous Retirement Benefit Plan, with two tiers. Tier I benefits for members hired before January 1, 2013 are under the 2.7% @ 55 retirement formula, and Tier II benefits for members hired on or after January 1, 2013 are under the 2% at 62 retirement formula.

Tier I final compensation is calculated using the highest average pay rate and special compensation during a three year period. Tier I employee contributions are shared by the employer and employee. This tier and retirement formula is closed to employees hired on or after January 1, 2013 with the exception of employees considered to be Classic Members with a break in CalPERS qualified employment of less than 6 months and who did not receive a refund of their contributions on deposit with the retirement fund. Tier II final compensation is calculated using the highest average pay rate and special compensation during any consecutive three-year period. Tier II employee contributions are paid by the employee.

The rate plan's provisions and benefits in effect at June 30, 2025, are summarized as follows:

	<u>Miscellaneous Plan</u>	
	<u>Hired prior to January 1, 2013</u>	<u>Hired on or after January 1, 2013</u>
Benefit Formula	2.7% at 55	2.0% at 62
Benefit Vesting Schedule	5 years service	5 years service
Benefit Payments	monthly for life	monthly for life
Retirement Age	50 - 55	52 - 67
Monthly Benefits, as a % of Eligible Compensation	2.0% - 2.7%	1.0% - 2.5%
Required Employee Contribution Rate	8.00%	7.75%
Required Employer Contribution Rate	15.24%	7.87%
Required UAL Contribution	\$1,312,409	\$15,588

**SOUTH TAHOE PUBLIC UTILITY DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2025**

**NOTE 9: PENSION PLAN (CONTINUED)**

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The District's contributions to the Plan for the year ended June 30, 2025 were \$2,824,055.

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

As of June 30, 2025, the District reported a net pension liability of \$15,935,462 for its proportionate share of the net pension liability of the Plan.

The District's net pension liability is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2024, and the total pension liability of the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023 rolled forward to June 30, 2024 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability of the Plan as of June 30, 2025 and 2024 was follows:

Proportion - June 30, 2024	0.32161 %
Proportion - June 30, 2025	<u>0.32948 %</u>
Change - increase	<u>0.00787 %</u>

For the year ended June 30, 2025, the District recognized pension expense of \$3,839,979. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Pension contributions subsequent to the measurement date	\$ 2,824,055	\$ -
Change in employer's proportion	404,713	-
Difference between actual and expected experience	1,377,767	53,759
Changes in assumptions	409,574	-
Difference between employer contributions and the employer's proportionate share of the risk pool's contributions	183,580	70,246
Net difference between projected and actual earning on plan investments	917,385	-
Total	\$ 6,117,074	\$ 124,005

\$2,824,055 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<b>Fiscal Year Ended June 30,</b>			
2026	\$	1,153,765	
2027		2,228,972	
2028		100,653	
2029		(314,376)	

**SOUTH TAHOE PUBLIC UTILITY DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2025**

**NOTE 9: PENSION PLAN (CONTINUED)**

Actuarial Assumptions

The total pension liabilities in the June 30, 2023 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Actuarial Cost Method	Entry-age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	6.90% net of pension plan investment expenses, includes inflation
Mortality (1)	Derived using CalPERS membership data for all funds
Post Retirement Benefit Increase	Contract COLA up to 2.30% until purchasing power protection allowance floor on purchasing power applies, 2.30% thereafter

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

Changes in Assumptions

For the measurement period June 30, 2024, there were no changes in assumptions.

Discount Rate

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

Long-term Expected Rate of Return

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations. Using historical returns of all the Public Employees Retirement Funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 basis points.

**SOUTH TAHOE PUBLIC UTILITY DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2025**

**NOTE 9: PENSION PLAN (CONTINUED)**

The expected real rates of return by asset class are as follows:

<u>Asset class</u>	<u>Assumed asset allocation</u>	<u>Real return years 1-10 (1) (2)</u>
Global Equity - Cap weighted	30.0%	4.54%
Global Equity Non-Cap-weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed Securities	5.0%	0.50%
Investment Grade Corporates	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real Assets	15.0%	3.21%
Leverage	(5.0)%	(0.59)%

(1) An expected inflation of 2.30% used for this period.

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

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

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

	<u>Discount Rate - 1% 5.90%</u>	<u>Current Discount Rate 6.90%</u>	<u>Discount Rate + 1% 7.90%</u>
Net pension liability	\$25,963,094	\$15,935,462	\$7,681,243

Pension Plan Fiduciary Net Position

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

**NOTE 10: DEFERRED COMPENSATION PLAN**

The District offers its employees a deferred compensation plan (the "457 Plan") created in accordance with Internal Revenue Code Section 457. The 457 Plan permits the employees to defer a portion of their salary until future years. A third party administrator maintains deferrals in a trust capacity. The deferred compensation is not available to employees until termination, retirement, death or unforeseen emergency. Participants may elect to contribute, through salary reductions, up to the IRC (g) limit (\$23,500 in 2025).

The 457 Plan assets totaled \$23,884,727 at June 30, 2025. Plan assets consist of investments in mutual funds, which are held in trust and are considered protected from the general creditors of the District.

**SOUTH TAHOE PUBLIC UTILITY DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2025**

**NOTE 11: RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. To protect the District from these risks, it is a member of a risk management program as discussed in Note 13. The District carries commercial insurance to protect against the risk of errors and omissions. For each of the three most recent years, settlement of claims has not exceeded insurance coverage.

**NOTE 12: COMMITMENTS AND CONTINGENCIES**

**A. Contractual Obligations**

At June 30, 2025, the District's significant contractual commitments with outside firms for engineering, construction, consulting, and various other services totaled approximately \$5.9 million.

**B. Contingencies**

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

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

**NOTE 13: JOINT POWERS AUTHORITY**

The District is a member of a joint powers authority, Association of California Water Agencies Joint Powers Insurance Authority (ACWA JPIA), for the operation of a common risk management and insurance program. The program covers workers' compensation, property and liability insurance. The membership includes public water agencies within California. ACWA JPIA is governed by a Board of Directors consisting of representatives from member agencies, which controls the operations of the ACWA JPIA, including selection of management and approval of operating budgets.

The following is a summary of the most current audited financial information for ACWA JPIA as of September 30, 2024 (the most recent information available):

Total assets	\$ 308,144,466
Total deferred outflows of resources	3,099,110
Total liabilities	177,706,110
Total deferred inflows of resources	4,357,741
Net assets	129,179,725
Total income	261,895,930
Total expense	253,429,117

If the District's deposits are not adequate to meet costs of claims and expenses, a retrospective adjustment to make up the difference, subject to minimum and maximum amounts, can take place. Coverage under this program has not changed and settled claims resulting from these risks have not exceeded coverage in any of the past three years.

The District is also a member of a joint powers authority, California Asset Management Program (CAMP), which provides professional investment services to California public agencies. Members of CAMP can participate in the Cash Reserve Portfolio. CAMP is governed by a Board of Trustees, which is made up of experienced local government finance directors, treasurers, and school business officials. Trustees control the operation of CAMP, including formation and implementation of its investment and operating policies.

**SOUTH TAHOE PUBLIC UTILITY DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2025**

**NOTE 13: JOINT POWERS AUTHORITY (CONTINUED)**

The following is a summary of the most current audited financial information for the CAMP portfolio as of December 31, 2024 (the most recent information available):

Total assets	\$ 20,313,082,166
Total liabilities	18,728,258
Net position	20,294,353,908
Total income	2,681,463,543
Total expenses	16,991,997
Net increase in net position resulting from operations	2,664,471,546

Complete financial statements for CAMP can be obtained from the PFM Asset Management, LLC at 1 California Street, Suite 1000, San Francisco, California 94111.

The relationships between South Tahoe Public Utility District and the joint powers authorities are such that ACWA JPIA and CAMP are not component units of the District for financial reporting purposes.

**NOTE 14: INVESTMENT EARNINGS**

Investment earnings consisted of the following for the year ended June 30, 2025:

Interest income	\$ 2,039,744
Net realized and unrealized gains	<u>477,351</u>
	<u>\$ 2,517,095</u>

**NOTE 15: OTHER OPERATING EXPENSES**

Other operating expenses consisted of the following for the year ended June 30, 2025:

Professional services	\$ 2,310,593
Operating permits	475,306
Chemical supplies	472,174
Office expense	355,258
Insurance and unreimbursed claims	1,100,055
Travel, meetings, and education	195,654
Research and monitoring	89,225
Equipment and building rent expense	216,473
Fuel expenses	261,692
Taxes, street lighting, and mitigation	128,138
Community incentive	127,265
Dues and certification	114,753
Miscellaneous expense	<u>791,619</u>
	<u>\$ 6,638,205</u>

**NOTE 16: SUBSEQUENT EVENTS**

Management has evaluated events subsequent to June 30, 2025 through December 11, 2025, the date on which the financial statements were available to be issued. Management has determined no subsequent events requiring disclosure have occurred.

**REQUIRED SUPPLEMENTARY INFORMATION**

**SOUTH TAHOE PUBLIC UTILITY DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
AS OF JUNE 30, 2025  
LAST 10 YEARS**

	Measurement Period				
	2024	2023	2022	2021	2020
Proportion of the net pension liability	0.32948 %	0.32161 %	0.30864 %	0.30705 %	0.28265 %
Proportionate share of the net pension liability	\$ 15,935,462	\$ 16,081,653	\$ 14,442,141	\$ 5,830,236	\$ 11,922,413
Covered payroll	\$ 12,350,230	\$ 10,972,141	\$ 10,974,014	\$ 10,844,940	\$ 10,293,860
Proportionate share of the net pension liability as a percentage of covered payroll	129.03 %	146.57 %	131.60 %	53.76 %	115.82 %
Plan fiduciary net position as a percentage of the total pension liability	78.08 %	76.21 %	76.68 %	88.29 %	75.10 %

**Notes to Schedule:**

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

**Changes in assumptions:** There were no assumption changes in 2023 or 2024. Effective with the June 30, 2021, valuation date (June 30, 2022, measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. In addition, demographic assumptions and the price inflation assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. The accounting discount rate was 7.15% for measurement dates June 30, 2017, through June 30, 2021, and 7.65% for measurement dates June 30, 2015, through June 30, 2016..

**SOUTH TAHOE PUBLIC UTILITY DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (CONTINUED)  
AS OF JUNE 30, 2025  
LAST 10 YEARS**

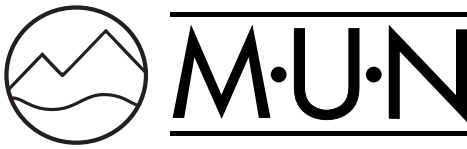
	Measurement Period				
	2019	2018	2017	2016	2015
Proportion of the net pension liability	0.27119 %	0.26155 %	0.25724 %	0.24871 %	0.25560 %
Proportionate share of the net pension liability	\$ 10,859,922	\$ 9,857,219	\$ 10,140,589	\$ 8,639,873	\$ 7,012,372
Covered payroll	\$ 9,849,757	\$ 9,650,512	\$ 9,307,465	\$ 9,428,197	\$ 8,791,579
Proportionate share of the net pension liability as a percentage of covered payroll	110.26 %	102.14 %	108.95 %	91.64 %	79.76 %
Plan fiduciary net position as a percentage of the total pension liability	75.26 %	75.26 %	73.31 %	74.06 %	78.40 %

**SOUTH TAHOE PUBLIC UTILITY DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CONTRIBUTIONS TO THE COST SHARING DEFINED BENEFIT PENSION PLAN  
AS OF JUNE 30, 2025  
LAST 10 YEARS**

	Fiscal Year-End				
	2025	2024	2023	2022	2021
Contractually required contribution (actuarially determined)	\$ 2,824,055	\$ 2,434,781	\$ 2,299,876	\$ 2,202,759	\$ 2,070,278
Contributions in relation to the actuarially determined contributions	<u>2,824,055</u>	<u>2,434,781</u>	<u>2,299,876</u>	<u>2,202,759</u>	<u>2,070,278</u>
Contribution deficiency (excess)	\$ <u>          -</u>	\$ <u>          -</u>	\$ <u>          -</u>	\$ <u>          -</u>	\$ <u>          -</u>
Covered payroll	\$ 13,834,247	\$ 12,350,230	\$ 10,972,141	\$ 10,974,014	\$ 10,844,940
Contributions as a percentage of covered payroll	20.41 %	19.71 %	20.96 %	20.07 %	19.09 %

**SOUTH TAHOE PUBLIC UTILITY DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CONTRIBUTIONS TO THE COST SHARING DEFINED BENEFIT PENSION PLAN (CONTINUED)  
AS OF JUNE 30, 2025  
LAST 10 YEARS**

	Fiscal Year-End				
	2020	2019	2018	2017	2016
Contractually required contribution (actuarially determined)	\$ 1,813,910	\$ 1,601,072	\$ 1,446,366	\$ 1,369,744	\$ 1,278,986
Contributions in relation to the actuarially determined contributions	<u>1,813,910</u>	<u>1,601,072</u>	<u>1,446,366</u>	<u>1,369,744</u>	<u>1,278,986</u>
Contribution deficiency (excess)	\$ <u>          -</u>	\$ <u>          -</u>	\$ <u>          -</u>	\$ <u>          -</u>	\$ <u>          -</u>
Covered payroll	\$ 10,293,860	\$ 9,849,757	\$ 9,650,512	\$ 9,307,465	\$ 9,428,197
Contributions as a percentage of covered payroll	17.62 %	16.25 %	14.99 %	14.72 %	13.57 %



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

To the Board of Directors  
South Tahoe Public Utility District  
South Lake Tahoe, California

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 and each major fund of South Tahoe Public Utility District (the "District") as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 11, 2025.

**Report on Internal Control over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or 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 District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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

**MUN CPAs, LLP**

Sacramento, California  
December 11, 2025



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

To the Board of Directors  
South Tahoe Public Utility District  
South Lake Tahoe, California

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

***Opinion on Each Major Federal Program***

We have audited South Tahoe Public Utility District's (the "District") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2025. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

***Basis for Opinion on Each Major Federal Program***

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

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

***Responsibilities of Management for Compliance***

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

***Auditor's Responsibilities for the Audit of Compliance***

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

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

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

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

### **Report on Internal Control over Compliance**

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

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

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

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

*MUN CPAs, LLP*

Sacramento, California  
December 11, 2025

**SOUTH TAHOE PUBLIC UTILITY DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2025**

<u>Federal Grantor/Program Title</u>	<u>Assistance Listing Number</u>	<u>Contract/ Pass-through Number</u>	<u>Passed- Through to Subrecipients</u>	<u>Expenditures</u>
<b><u>U.S. Department of the Interior</u></b>				
<i>Direct Program:</i>				
Reclamation States Emergency Drought Relief	15.514	-	\$ -	\$ 28,221
WaterSMART (Sustain and Manage America's Resources for Tomorrow)	15.507	-	-	<u>1,681</u>
Total U.S. Department of the Interior			-	<u>29,902</u>
<b><u>U.S. Department of Homeland Security</u></b>				
<i>Pass-Through State of California Governor's Office of Emergency Services:</i>				
Severe Winter Storms - Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA 4683-DR-CA	-	21,847
Severe Winter Storms - Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA 4699-DR-CA	-	<u>253,113</u>
Total 97.036			-	<u>274,960</u>
<i>Pass-Through State of California Governor's Office of Emergency Services:</i>				
<i>Hazard Mitigation Grant:</i>				
Paloma Well/Keller Booster Emergency Generators	97.039	FEMA-5380-FM-CA	-	137,700
Al Tahoe/Bayview Well Backup Generator	97.039	FEMA-4558-FM-CA	-	<u>265,872</u>
Total 97.039			-	<u>403,572</u>
State and Local Cybersecurity Grant Program	97.137	2023-9999	-	<u>2,409</u>
Total U.S. Department of Homeland Security			-	<u>680,941</u>
<b><u>U.S. Department of the Treasury</u></b>				
<i>Pass-Through El Dorado County Water Agency:</i>				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	ARPA-STPUD-01	-	114,882
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	ARPA-STPUD-02	-	<u>442,438</u>
Total U.S. Department of the Treasury			-	<u>557,320</u>

**SOUTH TAHOE PUBLIC UTILITY DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2025**

<u>Federal Grantor/Program Title</u>	<u>Federal AL Number</u>	<u>Contract/ Pass-through Number</u>	<u>Passed- Through to Subrecipients</u>	<u>Expenditures</u>
<b><u>U.S. Department of Agriculture</u></b>				
<i>Direct Program:</i>				
<i>State and Private Forestry Cooperative Fire Assistance:</i>				
Grant Administration	10.698	22-DG-11052012-165	-	2,181
NTPUD - Brockway Waterline Project	10.698	24-DG-11052012-160	743,568	746,307
Fuels Reduction on Critical Facilities	10.698	20-DG-11051900-023	-	<u>15,916</u>
Total 10.698			<u>743,568</u>	<u>764,404</u>
<i>Partnership Agreements:</i>				
Baldwin Beach Sewer Realignment Project	10.699	23-PA-11051900-013	-	<u>85,381</u>
Total U.S. Department of Agriculture			<u>743,568</u>	<u>849,785</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 743,568</u>	<u>\$ 2,117,948</u>

**SOUTH TAHOE PUBLIC UTILITY DISTRICT  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2025**

**NOTE 1: SCOPE OF AUDIT PURSUANT TO UNIFORM GUIDANCE**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance provided to South Tahoe Public Utility District under programs of the Federal Government for the year ended June 30, 2025. The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

**NOTE 2: REPORTING ENTITY**

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

**NOTE 3: BASIS OF PRESENTATION**

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

**NOTE 4: CLAIMS**

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

**NOTE 5: INDIRECT COSTS**

The District elected not to use the 10% de minimus indirect cost rate, and did not charge indirect costs to federal grants during the year ended June 30, 2025.

**SOUTH TAHOE PUBLIC UTILITY DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2025**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

Financial Statements

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

Federal Awards

Internal control over major programs:					
Material weakness(es) identified?	No				
Significant deficiencies identified that are not considered to be material weakness?	None reported				
Type of auditor's report issued on compliance for major programs:	Unmodified				
Any audit findings disclosed that are required to be reported in accordance with section 200.516 of the Uniform Guidance?	No				
Major programs are as follows:					
<table border="0"> <tr> <td style="text-align: center;"><u>AL Number</u></td> <td style="text-align: center;"><u>Name of Federal Program</u></td> </tr> <tr> <td style="text-align: center;">21.027</td> <td style="text-align: center;">Coronavirus State/Local Fiscal Recovery 2022</td> </tr> </table>	<u>AL Number</u>	<u>Name of Federal Program</u>	21.027	Coronavirus State/Local Fiscal Recovery 2022	
<u>AL Number</u>	<u>Name of Federal Program</u>				
21.027	Coronavirus State/Local Fiscal Recovery 2022				
Dollar threshold used to distinguish between type A and type B programs:	\$750,000				
Auditee qualified as low-risk auditee?	Yes				

**SECTION II - FINANCIAL STATEMENT FINDINGS**

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

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No current year findings and questioned costs for federal awards as defined in section 200.516 of the Uniform Guidance.

**SOUTH TAHOE PUBLIC UTILITY DISTRICT  
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2025**

**None**