



TRUCKEE SANITARY DISTRICT

Financial Statements
Supplementary Information
&
Independent Auditor's Report

For the Fiscal Years Ended June 30, 2020 and 2019

A PUBLIC AGENCY

Truckee Sanitary District

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June 30, 2020 and 2019

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Truckee Sanitary District
Truckee, California

We have audited the accompanying financial statements of the business-type activities of Truckee Sanitary District as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Truckee Sanitary District as of June 30, 2020 and 2019, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 15 and the required supplementary information related to the pension and post-employment healthcare plans on pages 54 through 57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits 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 an opinion on the financial statements that collectively comprise the Truckee Sanitary District's basic financial statements. The supplementary information contained in Schedule 1 is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to 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

information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Damore, Hamric & Schneider Inc

DAMORE, HAMRIC & SCHNEIDER, INC.
Certified Public Accountants

Sacramento, CA

December 9, 2020

Truckee Sanitary District

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2020

The management of Truckee Sanitary District (District) presents this discussion in compliance with the requirements of Governmental Accounting Standards Board Statement 34 (GASB 34). The intent of this document is to provide an easy-to-read summary of the District's finances to supplement the information presented in the District's financial statements for the period July 1, 2019 through June 30, 2020 (FY 2019-20). Please direct questions regarding this document or the financial statements to Blake R. Tresan, General Manager, at:

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ORGANIZATION AND BUSINESS

The District was formed in 1906, making it one of the oldest special districts in California. Initial wastewater collection and treatment facilities serving portions of Truckee were constructed in 1908. Collection and treatment facilities expanded over time to keep up with the growth in the Truckee area and the need to replace failing on-site treatment systems. In 1978, the Tahoe-Truckee Sanitation Agency (T-TSA) completed construction of a regional wastewater reclamation plant, enabling the decommissioning of the District's pond treatment system. Today, the District's wastewater continues to be conveyed to the T-TSA plant for treatment and reclamation. The District's sole business function is the collection and conveyance of wastewater generated within the service area to the regional treatment facility.

The District's boundaries encompass an area of approximately 39 square miles. The District serves about 11,898 residential units and approximately 564 commercial accounts. Service is provided through approximately 214 miles of gravity mains, 16 miles of force mains, 186 miles of laterals, and 43 lift stations.

The District is governed by a five-member Board of Directors elected at-large for staggered four-year terms. The Board of Directors set policy and procedures, which are then administered by the General Manager. The District had 40 full-time employees on June 30, 2020.

The Board of Directors sets all financial policies for the District. This includes establishing the annual budget for revenues and expenses, setting rates and charges, and directing the investment of District funds. Staff provides the Board with budget to actual and cash status reports on a monthly basis. Additionally, the Board's Finance Committee reviews all payables and makes recommendations to the full Board for approval of payables.

The General Manager serves as District Treasurer.

Truckee Sanitary District

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2020

FINANCIAL HIGHLIGHTS

District Operating Revenue (comprised primarily of Service Charges) increased by 11.1% (\$0.37 million) when compared to FY 2018-19.

District Non-Operating Revenue (comprised primarily of Property Taxes) increased by 3.6% (\$0.23 million) when compared to FY 2018-19.

District Operating Expenses (including GASB 68 and 75 adjustments) increased by 16.7% (\$1.3 million) when compared to FY 2018-19.

The District's Total Net Position increased by 3.4% (\$2.0 million) from the prior fiscal year.

OVERVIEW OF FINANCIAL STATEMENTS

The District's annual report includes the Independent Auditor's Report, this Management's Discussion and Analysis (MD&A) section, and the audited financial statements (statements). The statements contain short-term and long-term financial information about the District and are followed by notes that explain many of the District's accounting policies and other disclosures as a supplement to the statements. The independent auditor assisted the District with preparation of the statements and footnotes.

The remaining pages of this MD&A summarize the District's Statements of Net Position, Revenues, Expenses, and Changes in Net Position, and Cash Flows for FY 2019-20. An overview of the District's capital and operating activity follows the summary statements. These sections provide relevant details regarding significant or notable events. The last section of the MD&A discusses economic factors that provide context for the reader's consideration in evaluating the District's financial condition.

Truckee Sanitary District

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2020

FINANCIAL STATEMENTS

Net Position:

The District's Total Net Position (see page 9, Table 1, Net Position section) is the sum of: 1) Net Investment in Capital Assets, 2) Net Restricted Assets, and 3) Net Unrestricted Assets. The total Net Position as of June 30, 2020 is \$61.5 million.

The District's Capital Assets include sewer pipelines, pump stations, operations and maintenance facilities, administrative facilities, equipment, and rolling stock. Net Capital Assets of \$50.7 million represents the net book value (historic cost less accumulated depreciation) of assets having an initial cost of \$5,000 or more, and an estimated useful life in excess of one year.

The portion of Net Position subject to legal restrictions is presented as Restricted Assets. Restricted Assets include funds designated for the maintenance and reconstruction of the Martis Valley Interceptor pipeline, maintenance of original improvements to Sewer Assessment District 5 (Armstrong Tract) and capacity expansion (funded by connection fees). The total Restricted Net Position at fiscal year-end 2019-20 is \$2.8 million.

Unrestricted Assets are not legally restricted for specific uses. The Board has, by policy, designated uses of these assets as discussed in Note 1(O) of the financial statements. Unrestricted Assets include major capital improvements, reserve fund, cash flow reserves, and contingency reserves for emergencies. The total Unrestricted Net Position at fiscal year-end 2019-20 is \$8.0 million.

The following Condensed Statement of Net Position shows the District's current financial position and compares resources and obligations at year-end for the District on June 30, 2020 and 2019:

Truckee Sanitary District

MANAGEMENT’S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2020

FINANCIAL STATEMENTS (Continued)

TABLE 1

Condensed Statement of Net Position as of June 30, 2020 and 2019

	Fiscal Year 2020	Fiscal Year 2019	Difference \$	Difference %
Current Assets	\$ 13,443,331	\$ 13,272,941	\$ 170,390	1.3%
Restricted Assets	3,348,268	3,456,292	(108,024)	-3.1%
Net Capital Assets	50,707,400	48,442,457	2,264,943	4.7%
Deferred Pension Outflows (Note 5)	2,995,505	3,358,972	(363,467)	-10.8%
Deferred OPEB Outflows (Note 6)	427,897	440,289	(12,392)	-2.8%
 Total Assets and Deferred Outflows of Resources	 \$ 70,922,401	 \$ 68,970,951	 \$ 1,951,450	 2.8%
Current Liabilities (payable from Current Assets)	\$ 1,534,458	\$ 1,483,292	\$ 51,166	3.4%
Current Liabilities (payable from Restricted Assets)	240,823		240,823	N/A
Long-Term Liabilities	6,480,079	7,006,937	(526,858)	-7.5%
Deferred Pension Inflows (Note 5)	1,214,293	1,038,283	176,010	17.0%
Deferred OPEB Inflows (Note 6)		29,275	(29,275)	N/A
 Total Liabilities and Deferred Inflows of Resources	 \$ 9,469,653	 \$ 9,557,787	 (\$ 88,134)	 -0.9%
 Net Investment in Capital Assets	 \$ 50,707,400	 \$ 48,442,457	 \$ 2,264,943	 4.7%
Restricted	2,794,316	3,093,800	(299,484)	-9.7%
Unrestricted	7,951,032	7,876,907	74,125	0.9%
Total Net Position	\$ 61,452,748	\$ 59,413,164	\$ 2,039,584	3.4%

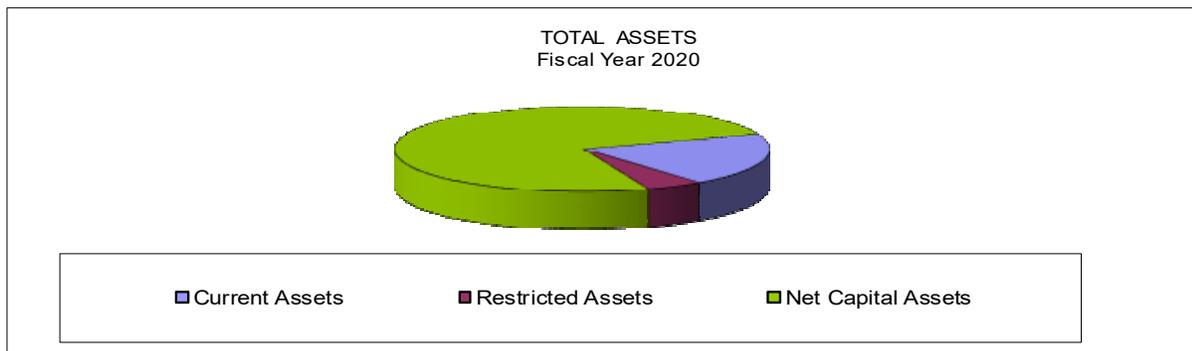


Table 1 shows the District’s Total Net Position was approximately \$61.5 million as of June 30, 2020. This represents a 3.4% increase (\$2.0 million) from the close of the previous fiscal year. The majority of this net increase is attributed to increases in property tax revenue, user fees, and capital contributions in excess of operating expenses.

Truckee Sanitary District

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2020

FINANCIAL STATEMENTS (Continued)

Revenues, Expenses and Changes in Net Position:

The Condensed Statement of Revenues, Expenses, and Change in Net Position (Table 2) shows the change in Net Position between FY 2019-20 and FY 2018-19.

TABLE 2

Condensed Statement of Revenues, Expenses, and Changes in Net Position for the Years Ended June 30, 2020 and 2019

	2020	2019	Difference \$	Difference %
Operating Revenues (a)	\$ 3,666,386	\$ 3,300,967	\$ 365,419	11.1%
Non-Operating Revenues (b)	<u>6,484,047</u>	<u>6,258,762</u>	<u>225,285</u>	3.6%
Total Revenues (a+b)	<u>\$ 10,150,433</u>	<u>\$ 9,559,729</u>	<u>\$ 590,704</u>	6.2%
Operating Expenses before Depreciation (c)	<u>\$ 8,997,836</u>	<u>\$ 7,713,366</u>	<u>\$ 1,284,470</u>	16.7%
Operating Loss Before Depreciation (a-c)	<u>(\$ 5,331,450)</u>	<u>(\$ 4,412,399)</u>	<u>(\$ 919,051)</u>	20.8%
Depreciation Expense (d)	<u>\$ 2,100,855</u>	<u>\$ 2,072,805</u>	<u>\$ 28,050</u>	1.4%
Operating Loss (a-c-d)	<u>(\$ 7,432,305)</u>	<u>(\$ 6,485,204)</u>	<u>(\$ 947,101)</u>	14.6%
Net Loss Before Contributions (a+b-c-d)	<u>(\$ 948,258)</u>	<u>(\$ 226,442)</u>	<u>(\$ 721,816)</u>	318.8%
Capital Contributions (e)	<u>2,987,842</u>	<u>564,945</u>	<u>2,422,897</u>	428.9%
Change in Net Position (a+b-c-d+e)	<u>\$ 2,039,584</u>	<u>\$ 338,503</u>	<u>\$ 1,701,081</u>	502.5%
Net Position, Beginning of Year (f)	<u>\$ 59,413,164</u>	<u>\$ 59,074,661</u>	<u>\$ 338,503</u>	0.6%
Ending Net Position (a+b-c-d+e+f)	<u>\$ 61,452,748</u>	<u>\$ 59,413,164</u>	<u>\$ 2,039,584</u>	3.4%

District revenues are broken down into two categories. Operating Revenues include service charges, inspection fees, and revenue from other services. Non-Operating Revenues include property taxes, interest, rents and leases, disposal of capital assets, and other revenue.

Service charges account for most (97.2%) of the District's Operating Revenues and 35.1% of the Total Revenues. In FY 2019-20, the District received \$3.6 million in service charge revenue, up 10.5% from FY 2018-19. The change in service charge revenue is attributed to an 8.0% increase in service charge rates as well as additional connections being served.

Truckee Sanitary District

MANAGEMENT’S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2020

FINANCIAL STATEMENTS (Continued)

Property taxes account for 94% of the District’s Non-Operating Revenues and 60% of Total Revenues. In FY 2019-20, the District received \$6.1 million in property tax revenue, up 5.3% from the previous fiscal year. The increased revenue is primarily attributed to a healthy real estate market including increased sales of existing homes as well as substantial new construction.

Total Operating Expenses in FY 2019-20 were \$11.1 million, increasing 13.4% from prior year. Approximately 18.9% (\$2.1 million) of the Operating Expenses is due to depreciation of capital assets (a non-cash expense).

Statement of Cash Flows:

The Condensed Statement of Cash Flows for the fiscal year ended June 30, 2020 (Table 3) describes cash flow activities from operations, capital and non-capital financing activities, and investments.

TABLE 3

Condensed Statement of Cash Flows for the Years Ended June 30, 2020 and 2019

			Difference	Difference
	2020	2019	\$	%
Net Cash Used by Operating Activities	(\$ 5,213,721)	(\$ 5,424,517)	\$ 210,796	-3.9%
Net Cash Provided by Non-Capital Financing Activities	6,057,794	5,886,813	170,981	2.9%
Net Cash Used by Capital & Related Financing Activities	(1,094,733)	(252,558)	(842,175)	333.5%
Net Cash Provided by Investing Activities	<u>318,172</u>	<u>321,103</u>	<u>(2,931)</u>	-0.9%
Net Increase in Cash and Cash Equivalents	\$ 67,512	\$ 530,841	(\$ 463,329)	-87.3%
Cash and Cash Equivalents, Beginning of Year	<u>16,077,603</u>	<u>15,546,765</u>	<u>530,838</u>	3.4%
Cash and Cash Equivalents, End of Year	<u>\$ 16,145,115</u>	<u>\$ 16,077,606</u>	<u>\$ 67,509</u>	0.4%

Table 3 shows the District’s cash position increased 0.42% (\$0.007 million) from the beginning of the year to the end of the year of FY 2019-20. Although user fees and property taxes increased by a combined \$0.65 million, cash increases were relatively flat due primarily to \$0.91 million incurred for a Vehicle Storage Facility Expansion capital project.

The District participates in the CalPERS defined benefit pension plans and is committed to reducing its pension liability for employees and retirees. In addition to Normal Cost (% of payroll) and required payments to the District’s Unfunded Accrued Liability (UAL), the District has made additional discretionary payments (ADP) of \$500,000 in FY 2020 and \$1,000,000 in FY 2019 to reduce the UAL for Classic employees and retirees.

Truckee Sanitary District

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2020

FINANCIAL STATEMENTS (Continued)

Additionally, in FY 2020, the District's Board of Directors approved the establishment and funding into the California Employers' Pension Prefunding Trust ("CEPPT"), a trust formed under IRC Section 115 restricted for funding CalPERS pension obligations. See further information on the District's Defined Benefit Pension Plan at Note 5 of the financial statements. In FY 2019-20, the District Board directed management to make a \$0.50 million contribution to the CEPPT.

The District continues to pay retiree health premiums and fund a retirement health trust. In FY 2019-20, the District paid \$0.23 million in retiree health premiums and deposited \$0.10 million in the California Employers' Retiree Benefit Trust. The plan's assets were valued at \$5.4 million on June 30, 2020. See further information on the District's Other Post-Employment Benefit at Note 6 of the financial statements.

The cash flows from Non-Capital Financing Activities increased by 2.9% during FY 2019-20 from FY 2018-19. As mentioned previously, this is primarily attributed to improved property tax revenue.

During FY 2019-20 cash used for capital acquisitions included the following:

- Vehicle Storage Facility Expansion project (in progress as of June 30, 2020);
- Land purchase;
- Operating vehicle purchases;
- Corporate Yard Facility improvements.

Cash provided from investments came from returns on District funds held by the Local Agency Investment Fund (LAIF). The District keeps a significant portion of its cash on deposit with LAIF, which is managed by the California State Treasurer's Office. Net cash from investing activities stayed flat at \$0.32 million in FY 2019-20 from FY 2018-19, primarily due to lower-trending returns from LAIF in fiscal quarters 3 and 4.

The District ended the fiscal year with \$16.1 million in Cash and Cash Equivalents.

CAPITAL ASSETS AND DEBT ADMINISTRATION

As discussed in Note 4 of the financial statements, the District's investment in capital assets as of June 30, 2020 totaled \$96.7 million of non-depreciable and depreciable assets.

Non-depreciable assets of \$1.7 million:

Land, easements, and construction in progress.

Truckee Sanitary District

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2020

CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

Depreciable assets of \$95.0 million:

Sewage collection and administrative facilities, general and administrative equipment.

Total accumulated depreciation of \$46.0 million resulted in a Net Capital Asset value of \$50.7 million as of June 30, 2020 compared to \$48.4 million at fiscal year ending June 30, 2019, an increase of \$2.3 million.

The District continues to be debt-free, other than Pension and OPEB liabilities, thus no debt-related activities are reported in the financial statements.

BUDGET ANALYSIS

The District prepares an annual budget for operating and capital activities each year. The final budget is approved by the Board of Directors in June.

Table 4 summarizes the budget and actual revenues and expenses for FY 2019-20:

TABLE 4

Summary of Fiscal Year 2020 Budget

	FY 20 Budget	FY 20 Actual	Budget to Actual	
			\$	%
Revenues	\$ 10,098,000	\$ 10,395,723	\$ 297,723	2.9%
Expenses	\$ 9,018,000	\$ 9,394,515	(\$ 376,515)	-4.2%
Excess Revenue Over Expenses	\$ 1,080,000	\$ 1,001,208	(\$ 78,792)	-7.3%

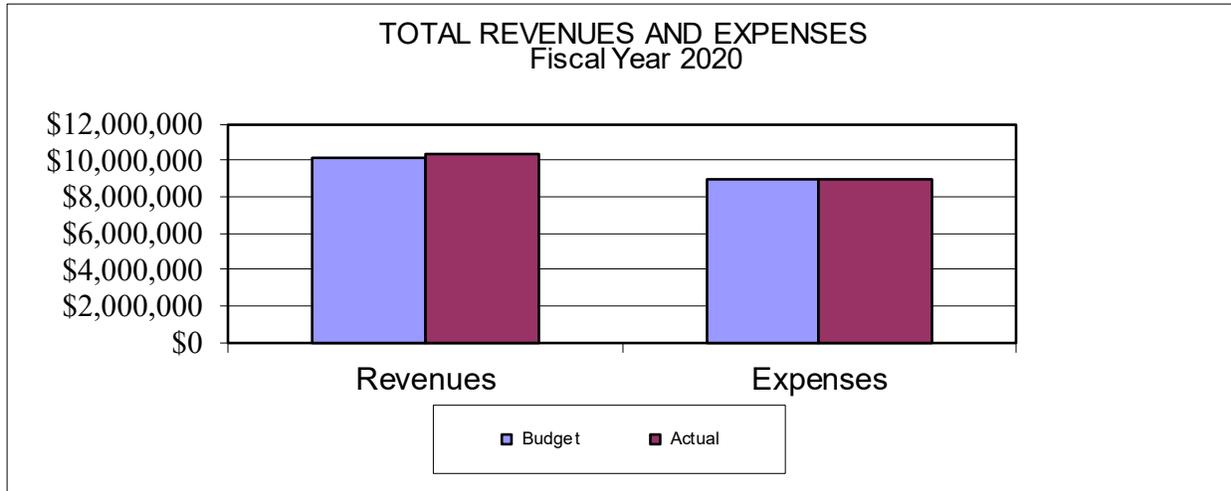
District revenues exceeded budgeted revenues by \$0.3 million (2.9%) for FY 2019-20. The primary sources of additional revenue came from higher than anticipated property tax revenues received from Nevada and Placer Counties.

District expenses were \$0.38 million (4.2%) over budgeted expenses for FY 2019-20. The primary sources of additional expenses were attributed to CEPPT contributions and compensated absences due to a change in the accrual methodology (see Footnote 1K for a further discussion of compensation absences) which were offset in part by savings in professional services and travel/meetings due largely to COVID-19.

Truckee Sanitary District

MANAGEMENT’S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2020



ECONOMIC FACTORS AND FUTURE BUDGET CONSIDERATIONS

The District’s overall financial outlook continues to be positive. The District services an area that continues to be an attractive place for primary and second-home construction and purchases providing both increased user fees and property taxes, the two main sources of District revenue. Consistent with County and Town planning, and barring a real-estate downturn, staff expects continued residential and commercial growth within the District into the near future.

From an expense perspective, no significant capital projects are required in the immediate future that would strain District reserves. However, a sewer rate study completed in FY16/17 examined the adequacy of the existing sewer rates to adequately and equitably fund the operating (O&M) and capital needs of the District over the next 20 years. As a result of the sewer rate study findings, new sewer rates were adopted by the Board. The new sewer rates included an 8% increase implemented in FY 17/18 with annual 8% increases over the following four fiscal years. In April 2020, the Board approved an 8% user fee increase for FY 2020-2021.

The District’s operating expenses are primarily labor and labor-related costs. These expenses are anticipated to rise in the future, but with the turnover in staff from Classic to PEPRAs employees, the rate of increase in pension expenses is anticipated to slow relative to prior years. Contrasted with this anticipated pension savings/slowdown from the 2013 CalPERS employee re-classification is the challenge of overall pension plan funding given that the valuation of the pension plan assets and the resulting District liabilities can increase or decrease depending on financial market fluctuations in any given year. There are several economic and demographic assumptions that can also influence the District’s total pension assets and corresponding liabilities. The District Board has shown a strong commitment to making additional discretionary payments to reduce the District’s pension liability thus reducing long-term risk.

Truckee Sanitary District

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2020

ECONOMIC FACTORS AND FUTURE BUDGET CONSIDERATIONS (Continued)

Further evidence of that commitment resulted in the District Board approving participation in the California Employers' Pension Prefunding Trust ("CEPPT") in FY 2020, an additional financial tool that the District will use to pay down its pension obligations.

Another long-term labor-related budgetary consideration is funding retiree health premiums. The District has been diligently funding the retiree trust fund and anticipates paying for the retiree medical premiums out of the OPEB trust fund in the very near future. As of June 30, 2020, the OPEB trust fund balance was \$5.4 Million.

Truckee Sanitary District
STATEMENTS OF NET POSITION
June 30, 2020 and 2019

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

<u>Current Assets:</u>	<u>2020</u>	<u>2019</u>
<u>Unrestricted Current Assets:</u>		
Cash and Cash Equivalents	\$ 12,818,544	\$ 12,656,087
Accounts Receivable	244,708	169,066
Interest Receivable	47,470	77,426
Property Taxes Receivable	313,616	298,828
Fuel Inventory	2,861	7,257
Prepaid Expense	<u>16,132</u>	<u>64,277</u>
Total Unrestricted Current Assets	<u>\$ 13,443,331</u>	<u>\$ 13,272,941</u>
<u>Restricted Current Assets:</u>		
Cash and Cash Equivalents	\$ 3,326,571	\$ 3,421,519
Accounts Receivable	11,350	12,993
Interest Receivable	<u>10,347</u>	<u>21,780</u>
Total Restricted Current Assets	<u>\$ 3,348,268</u>	<u>\$ 3,456,292</u>
<u>Non-Current Assets:</u>		
Capital Assets, Net of Accumulated Depreciation	<u>\$ 50,707,400</u>	<u>\$ 48,442,457</u>
Total Assets	<u>\$ 67,498,999</u>	<u>\$ 65,171,690</u>
<u>Deferred Outflows of Resources:</u>		
Deferred Pension Outflows (Note 5)	\$ 2,995,505	\$ 3,358,972
Deferred OPEB Outflows (Note 6)	<u>427,897</u>	<u>440,289</u>
Total Deferred Outflows of Resources	<u>\$ 3,423,402</u>	<u>\$ 3,799,261</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 70,922,401</u>	<u>\$ 68,970,951</u>

The accompanying notes are an integral part of the financial statements.

Truckee Sanitary District

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the Fiscal Years Ended June 30, 2020 and 2019

<u>Operating Revenues:</u>	<u>2020</u>	<u>2019</u>
Service Charges	\$ 3,563,171	\$ 3,225,655
Inspection Fees	103,215	60,240
Other Services	<u> </u>	<u>15,072</u>
Total Operating Revenue	<u>\$ 3,666,386</u>	<u>\$ 3,300,967</u>
<u>Operating Expenses:</u>		
Operations and Maintenance	\$ 6,114,283	\$ 5,233,386
General and Administrative	2,883,553	2,479,980
Depreciation	<u>2,100,855</u>	<u>2,072,805</u>
Total Operating Expenses	<u>\$ 11,098,691</u>	<u>\$ 9,786,171</u>
Total Operating Loss	<u>(\$ 7,432,305)</u>	<u>(\$ 6,485,204)</u>
<u>Non-Operating Revenues:</u>		
Property Taxes	\$ 6,093,184	\$ 5,783,904
Investment Income, net	276,780	346,268
Rents and Leases	3,762	3,515
Gain on Sale of Assets	42,400	58,875
Other	<u>67,921</u>	<u>66,200</u>
Total Non-Operating Revenue	<u>\$ 6,484,047</u>	<u>\$ 6,258,762</u>
Total Loss before Contributions	<u>(\$ 948,258)</u>	<u>(\$ 226,442)</u>
<u>Capital Contributions:</u>		
Dedicated Land and Improvements	\$ 2,742,552	\$ 250,753
Connection Fees	<u>245,290</u>	<u>314,192</u>
Total Capital Contributions	<u>\$ 2,987,842</u>	<u>\$ 564,945</u>
Change in Net Position	<u>\$ 2,039,584</u>	<u>\$ 338,503</u>
Net Position, Beginning of Year	<u>\$ 59,413,164</u>	<u>\$ 59,074,661</u>
Net Position, End of Year	<u>\$ 61,452,748</u>	<u>\$ 59,413,164</u>

The accompanying notes are an integral part of the financial statements.

Truckee Sanitary District

STATEMENTS OF CASH FLOWS

For the Fiscal Years Ended June 30, 2020 and 2019

<u>Cash Flows From Operating Activities:</u>	<u>2020</u>	<u>2019</u>
Receipts from Customers	\$ 3,592,387	\$ 3,292,225
Payments to Suppliers	(4,757,751)	(4,102,341)
Payments to Employees	(4,017,657)	(4,583,601)
Other Payments	(30,700)	(30,800)
Net Cash Used by Operating Activities	(<u>\$ 5,213,721</u>)	(<u>\$ 5,424,517</u>)
 <u>Cash Flows From Non-Capital Financing Activities:</u>		
Property Taxes Collected	\$ 6,078,396	\$ 5,771,656
Customer Deposits	(42,922)	88,746
Other Non-Operating Revenues	71,683	69,715
Decrease in Trust Funds Payable	(49,363)	(43,304)
Net Cash Provided by Non-Capital Financing Activities	<u>\$ 6,057,794</u>	<u>\$ 5,886,813</u>
 <u>Cash Flows From Capital and Related Financing Activities:</u>		
Capital Contributions	\$ 245,290	\$ 314,192
Acquisition of Capital Assets	(1,382,423)	(625,625)
Proceeds from Sale of Capital Assets	<u>42,400</u>	<u>58,872</u>
Net Cash Used by Capital and Related Financing Activities	(<u>\$ 1,094,733</u>)	(<u>\$ 252,561</u>)
 <u>Cash Flows From Investing Activities:</u>		
Interest Received on Investments	<u>\$ 318,172</u>	<u>\$ 321,103</u>
Net Cash Provided by Investing Activities	<u>\$ 318,172</u>	<u>\$ 321,103</u>
Net Increase in Cash and Cash Equivalents	\$ 67,512	\$ 530,838
Cash and Cash Equivalents, Beginning of Year	<u>16,077,603</u>	<u>15,546,765</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 16,145,115</u></u>	<u><u>\$ 16,077,603</u></u>
 <u>Cash and Cash Equivalents Classified in the Statement of Net Position:</u>		
Cash and Cash Equivalents:		
Unrestricted	\$ 12,818,544	\$ 12,656,087
Restricted	<u>3,326,571</u>	<u>3,421,519</u>
	<u><u>\$ 16,145,115</u></u>	<u><u>\$ 16,077,606</u></u>

The accompanying notes are an integral part of the financial statements.

Truckee Sanitary District

STATEMENTS OF CASH FLOWS

For the Fiscal Years Ended June 30, 2020 and 2019

<u>Reconciliation of Operating Loss</u> <u>to Net Cash Used by Operating Activities:</u>	<u>2020</u>	<u>2019</u>
Operating Loss	(\$ 7,432,305)	(\$ 6,485,204)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation	2,100,855	2,072,805
Changes in Assets, Deferred Outflows of Resources, Liabilities and Deferred Inflows of Resources (Increase) Decrease in:		
Accounts Receivable	(73,999)	(8,742)
Inventories	4,396	(80)
Prepaid Expense	48,145	(46,889)
Deferred Outflows of Resources	375,859	(253,311)
Increase (Decrease) in:		
Accounts Payable	(78,496)	33
Compensated Absences Payable	156,407	31,824
Wages Payable	16,177	8,667
Deferred Inflows of Resources	146,735	581,671
Net Pension Liability	(398,381)	1,218,170
Net OPEB Liability	(79,114)	(107,124)
Total Adjustments	<u>\$ 2,218,584</u>	<u>\$ 1,060,687</u>
Net Cash Used by Operating Activities	<u>(\$ 5,213,721)</u>	<u>(\$ 5,424,517)</u>
 <u>Schedule of Noncash Transactions:</u>		
<u>Capital Contributed by Developers, Customers,</u> <u>Town of Truckee, and the State of California:</u>		
Contributions of Capital to the District	\$ 2,987,842	\$ 564,945
Less - Contributions of Land and Improvements	(2,742,552)	(250,753)
Cash Provided by Contributions	<u>\$ 245,290</u>	<u>\$ 314,192</u>
 <u>Capital Asset Acquisition:</u>		
Acquisition of Capital Assets	(\$ 1,623,246)	(\$ 625,625)
Increase in Payables	<u>240,823</u>	<u> </u>
Cash Used for Capital Asset Acquisitions	<u>(\$ 1,382,423)</u>	<u>(\$ 625,625)</u>

The accompanying notes are an integral part of the financial statements.

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Truckee Sanitary District conform to generally accepted accounting principles as applied to governmental units. The following is a summary of significant policies:

A. Organization and Description of the District:

The Truckee Sanitary District (District) was formed in 1906 and has provided sanitary services to the community of Truckee since 1908. The District operates under the Sanitary District Act of 1923 and is governed by rules and laws set forth in the Health and Safety Code of the State of California.

B. Description of the Reporting Entity:

A five-member elected Board of Directors governs the District. The Board is responsible for setting policy and general administrative procedures for the District. The General Manager of the District administers the policies and procedures set by the Board.

C. Accounting Policies:

The accounting policies of the District conform to accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting.

The Enterprise fund applies all GASB pronouncements that apply to the District.

New Accounting Pronouncements - See Note 1. T. for new accounting pronouncements that have been implemented in the current financial statements.

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

D. Financial Statement Presentation - Governmental Accounting Standards Board Statement No. 34 "*Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*" established standards for external financial reporting for all state and local governmental entities which includes a statement of net position, a statement of activities and changes in net position and a statement of cash flows. It requires the classification of net position into three components - net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- *Net Investment in Capital Assets* - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investments in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds. The District had no related debt of as of June 30, 2020 and 2019.
- *Restricted* - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted* - This component of net position consists of equity that does not meet the definition of "restricted" or "net investment in capital assets."

E. Budgetary Control:

The Board adopts an operating budget at the beginning of each year.

F. Use of Estimates:

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

F. Use of Estimates (Continued):

disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

G. Cash, Cash Equivalents and Investments:

Deposits of the District are located at various financial institutions within the state and are recorded at cost. (See Note 2A for additional disclosure of District deposits.)

For purposes of the statement of cash flows, the District considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

Investments in external investment pools are valued on the basis of \$1 in the statement of net position.

H. Accounts Receivable:

The accounts receivable consists of charges for service and connection fees. User fees and delinquent connection fees are sent to the respective counties annually to be placed on the tax rolls for collection. Therefore, no allowance for uncollectible fees is provided.

I. Inventories:

Inventories are stated at the lower of cost (using the first-in first-out basis) or market value. Market value is determined by comparison with recent purchases or realizable value.

J. Capital Assets:

Capital assets are defined by the District as assets with an initial, individual cost of \$5,000 or more with an estimated useful life in excess of one year.

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

J. Capital Assets (Continued):

Capital assets are stated at cost, less accumulated depreciation and amortization computed by the straight-line method. Estimated useful lives are as follows:

Land and Easements	N/A
Construction in Progress	N/A
General and Administrative:	
Office Equipment, Furnishings	3 - 10
Office Building	30
Sewage Collection Facilities:	
Automotive	5 - 10
Instruments	5 - 10
Other Equipment	3 - 10
Trunk Lines, Manholes, Meters	50
Outfall Lines	75
Structures	40
Pump Stations	20
Lift Stations	30
Maintenance Building	50

Depreciation on the cost or value of contributed assets is included in operating expenses in arriving at net income.

Repairs and Maintenance - Repairs and maintenance expenditures are charged to expense as incurred and major renewals and betterments are capitalized.

K. Compensated Absences:

The District accrues a liability for unpaid vacation, compensatory time and sick pay. Accumulated vacation leave is recorded as an expense and liability as the benefits accrue to employees. Starting in FY 2020, the District recognizes all sick pay benefits as they accrue to employees rather than only recognizing the accrued and vested balances. As of June 30, 2020, and 2019, accrued vacation and sick leave benefits totaled \$916,712 and \$760,305, respectively, an increase of \$156,407, in part due to the change in calculating the accrued sick pay benefits.

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

L. Revenue Recognition - Property Taxes:

Property taxes are attached as an enforceable lien on property as of January 1. Taxes are levied and due on the following November 1 and February 1.

Property tax revenues are recognized in the fiscal period for which they are levied and in which they become available.

M. Operating/Non-Operating Revenue and Expenses:

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

N. Restricted Assets:

Legally segregated assets are recorded as restricted. The District has the following restricted assets:

Capital Reserve Fund - This reserve consists of connection fees and the earnings thereon and is restricted for the acquisition and/or construction of sewer infrastructure, facilities, and other costs necessary to increase the District's capacity for service.

Sewer Assessment District (SAD) 5 Fund - This fund is required to segregate the assessments collected for retirement of Sewer Assessment District 5 bonds. These funds were transferred from Nevada County to the District in 1990 to be used for maintenance of the original improvements within SAD 5. As trust funds, they are carried as a noncurrent liability.

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

N. Restricted Assets (Continued):

Martis Valley Interceptor Fund - This reserve ensures that Martis Valley Interceptor fees collected are used to provide adequate maintenance and reconstruction of the section of pipeline called Martis Valley Interceptor. As of June 30, 2020, reserves for the Martis Valley Interceptor have been depleted, and the Fund closed. The District will continue to fund the maintenance of this pipeline through its operations and maintenance budget.

Section 115 Pension Trust – In FY 2020, the District’s Board of Directors approved funding into the California Employers’ Pension Prefunding Trust (“CEPPT”), an IRC Section 115 pension trust, to mitigate future budget impacts of rising pension contributions to CalPERS. For FY 2020, an initial \$500,000 was invested into the Trust. The Section 115 pension trust assets are classified as restricted assets on the Statement of Net Position since their use is limited in scope to funding the District’s CalPERS pension plan expenditures.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the District’s policy is to apply to restricted net assets first.

O. Board - Designated Net Position:

The District has designated a portion of the unrestricted net position for the following:

Major Capital Improvements Reserve Fund - This reserve was established to segregate excess administrative, maintenance, and operation funds to be used for the construction and acquisition of capital assets. The balance of the reserve as of June 30, 2020 and 2019 was \$4,127,102 and \$4,512,275, respectively.

Cash Flow Reserves - This reserve provides a cash flow safeguard and is required to support an unanticipated loss or delay of revenues from the counties, significant one-time expenditures or decreases in revenues, unfunded mandates, and unforeseen increases in expenses.

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

O. Board - Designated Net Position (Continued):

The reserve can be used at any time to meet the cash flow requirements of the District's operations. Authority to use these funds will be consistent with the District's Purchasing Policy. During the annual budgeting process the District will ensure that a minimum balance of seven months of average budgeted operating expenses is available on July 1 of each year to cover expenses paid from the general operating fund.

Contingency Reserve Fund - This fund is to maintain a minimum emergency reserve balance to support unforeseen or emergency events.

This reserve will ensure the District's ability to provide for unbudgeted emergency situations independent of revenue cash flows and insurance proceeds. Use of these funds requires direction and approval by the Board of Directors.

Typically, General Fund reserves would be used initially with subsequent reimbursements from this fund as directed by the Board of Directors. The Board of Directors had established a target contingency reserve balance of \$3,000,000. As of June 30, 2020, and 2019, the amount available in the unrestricted fund balance was \$4,315,653 and \$3,364,632, respectively.

P. Pension Plan:

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. For information about the pension plan, see Note 5.

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Q. Other Post-Employment Benefits Plan:

The District sponsors a prefunding benefit plan for other post-employment benefits (OPEB). The plan covers all eligible full-time and part-time employees.

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. For information about the OPEB plan, see Note 6.

R. Medical Benefits:

The District contracts with CalPERS for medical and prescription coverage to provide active and retiree health benefit services. The plan rules are in accordance with the Board of Directors' resolutions and subject to the Public Employees' Medical and Hospital Care Act (PEMHCA).

S. Reclassifications:

Certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

T. Accounting Pronouncements that have been Implemented in the Current Financial Statements:

In May 2020, the GASB issued Statement No. 95 – *Postponement of the Effective Dates of Certain Authoritative Guidance*. The Statement was intended to provide relief to governments in light of the COVID-19 pandemic.

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

T. Accounting Pronouncements that have been Implemented in the Current Financial Statements:

The objectives of this Statement are to extend the effective dates of certain accounting and financial reporting provisions in Statements and Implementation Guides that were relevant to the District and were scheduled to become effective for reporting periods beginning after June 15, 2019 and later. The provisions of the Statement were effective immediately.

U. Deferred Outflow/Deferred Inflow of Resources - Pension:

In addition to assets, the financial statements report separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of resources that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. Conversely, deferred inflows of resources represent an acquisition of resources that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

Contributions made to the District's pension plan after the measurement date but before the fiscal year-end are reconciled as a deferred outflow of resources. Additional factors involved in the calculation of the District's pension expense and net pension liability include the differences between expected and actual experience, changes of assumptions, differences between projected and actual investment earnings, changes in proportion, and differences between the District's contributions and proportionate share of contributions. These factors are recorded as deferred outflows and inflows of resources and amortized over various periods. See Note 5 for further details related to these pension deferred outflows and inflows.

V. Deferred Outflow/Deferred Inflow of Resources - OPEB:

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. See Note 6 for further details related to these OPEB deferred outflows and inflows.

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 2 CASH, CASH EQUIVALENTS AND INVESTMENTS:

A. Deposits and Custodial Credit Risk:

As of June 30, 2020 and 2019, the carrying amounts of the District's deposits were \$125,576 and \$491,501, respectively. The bank balances were \$155,866 and \$549,458, respectively. As of June 30, 2020 and 2019, the amount of \$250,000 was covered by federal depository insurance (FDIC). There was no balance exceeding the FDIC limit as of June 30, 2020 and a remaining balance of \$299,458 as of June 30, 2019 was exposed to custodian credit risk with deposits uninsured and collateralized with securities held by the pledging financial institution in accordance with Government Code 53651 et seq.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code requires California banks, and savings and loans to secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of pledged securities in the collateral pool must equal at least 110% of the District's carrying value of the deposits (demand deposits and certificates of deposit).

The California Employers' Prefunding Pension Trust ("CEPPT") had a balance of \$491,723 as of June 30, 2020. This restricted fund balance is included in the restricted cash and cash equivalent balance of the Statement of Net Position. The trust was adopted in fiscal year 2019-20.

B. Investments:

Investment Policy - Statutes authorize the District to invest in obligations of the U.S. Treasury, agencies and instrumentalities within the State, State Treasury, bankers' acceptances, and commercial paper of the highest ranking provided by Moody's Investors Service, Inc., or Standard & Poor's Corporation, repurchase or reverse repurchase agreements, and the State's Local Agency Investment Fund (LAIF).

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 2 CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued):

B. Investments (Continued):

The investment policy set by the directors of the District is more conservative than that set by state statute. The policy allows the District's treasurer to invest in U.S. Treasury Securities, Certificate of Deposits (FDIC-insured), Savings Accounts (FDIC-insured), Local Agency Investment Fund (LAIF), County Treasurer Investment Pool (Placer or Nevada), the Investment Trust of California (CalTRUST), California Employers' Retiree Benefit Trust (CERBT), and California Employers' Pension Prefunding Trust (CEPPT).

Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. As of June 30, 2020, and 2019, the District had the following investments:

	2020		2019	
	Carrying Amount	Market Value	Carrying Amount	Market Value
LAIF	<u>\$ 15,527,266</u>	<u>\$ 15,603,548</u>	<u>\$ 15,585,555</u>	<u>\$ 15,612,234</u>

Structured notes and asset-backed securities comprised 3.37% and 2.67% of LAIF's total portfolio for all investors as of June 30, 2020 and 2019, respectively. Fair value of a pool share was \$1.004912795 and \$1.001711790 for those same periods. The cost value of a pool share was constant at \$1.00.

Fair Value of Investments - The District's LAIF investment is a governmental investment pool managed and directed by the California State Treasurer and is not registered with the Securities and Exchange Commission. An oversight committee comprised of California State officials and various participants provide oversight to management of the fund. The daily operations and responsibilities of LAIF fall under the auspices of the State Treasurer's office. The District is a voluntary participant in the investment pool. Deposits and withdrawals in governmental investment pools, such as LAIF are made on the basis of \$1.00 and not fair value.

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 2 CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued):

B. Investments (Continued):

Accordingly, the District's proportionate share in these types of investments is an uncategorized input not defined as a Level 1, Level 2, or Level 3 input. The District does not have any investments that are subject to the fair value hierarchy as of June 30, 2020 and 2019.

Interest Rate Risk - Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment.

Credit Risk - 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. The District's investment in LAIF has not been rated by a nationally recognized statistical organization.

C. Classification:

	<u>2020</u>	<u>2019</u>
<u>Summary of Cash and Investments:</u>		
Cash on Hand	\$ 550	\$ 550
Cash Deposits	125,576	491,501
CEPPT	491,723	
Investments - LAIF	<u>15,527,266</u>	<u>15,585,555</u>
	<u>\$ 16,145,115</u>	<u>\$ 16,077,606</u>
<u>Balance Sheet Classification:</u>		
Cash and Cash Equivalents:		
Unrestricted	\$ 12,818,544	\$ 12,656,087
Restricted	<u>3,326,571</u>	<u>3,421,519</u>
	<u>\$ 16,145,115</u>	<u>\$ 16,077,606</u>

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 3 RESTRICTED ASSETS AND LIABILITIES:

Restricted and designated assets and liabilities as of June 30, 2020 are identified by use as follows:

	Sewer Assessment District 5 Maintenance Fund	Capital Expenses	CEPPT	Total
<u>Restricted Assets:</u>				
Cash and Cash Equivalents	\$ 311,992	\$ 2,522,856	\$ 491,723	\$ 3,326,571
Interest Receivable	1,137	9,210		10,347
Accounts Receivable		11,350		11,350
Total Restricted Assets	<u>\$ 313,129</u>	<u>\$ 2,543,416</u>	<u>\$ 491,723</u>	<u>\$ 3,348,268</u>
<u>Current Liabilities (Payable from Restricted Assets):</u>				
Accounts Payable	\$	\$ 240,823	\$	\$ 240,823
Total Current Liabilities (Payable from Restricted Assets)	<u>\$ 0</u>	<u>\$ 240,823</u>	<u>\$ 0</u>	<u>\$ 240,823</u>

Restricted and designated assets as of June 30, 2019 are identified by use as follows:

	Sewer Assessment District 5 Maintenance Fund	Capital Expenses	Martis Valley Interceptor	Total
<u>Restricted Assets:</u>				
Cash and Cash Equivalents	\$ 360,188	\$ 3,029,151	\$ 32,180	\$ 3,421,519
Accrued Interest Receivable	2,304	19,251	225	21,780
Accounts Receivable		12,993		12,993
Total Restricted Assets	<u>\$ 362,492</u>	<u>\$ 3,061,395</u>	<u>\$ 32,405</u>	<u>\$ 3,456,292</u>

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 4 CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2020 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Capital Assets not being Depreciated:</u>				
Land and Easements	\$ 578,599	\$ 175,828	\$	\$ 754,427
Construction In Progress	134,596	874,550	45,029	964,117
Total Capital Assets not being Depreciated	\$ 713,195	\$ 1,050,378	\$ 45,029	\$ 1,718,544
<u>Capital Assets being Depreciated:</u>				
Sewage Collection Facilities	\$ 78,143,467	\$ 2,834,058	\$	\$ 80,977,525
Administrative Facilities	8,185,439	88,028		8,273,467
General Plant and Administrative Equipment	5,394,509	438,363	95,868	5,737,004
Total Capital Assets being Depreciated	\$ 91,723,415	\$ 3,360,449	\$ 95,868	\$ 94,987,996
<u>Less Accumulated Depreciation for:</u>				
Sewage Collection Facilities	\$ 35,236,146	\$ 1,486,651	\$	\$ 36,722,797
Administrative Facilities	4,896,875	265,952		5,162,827
General Plant and Administrative Equipment	3,861,132	348,252	95,868	4,113,516
Total Depreciation	\$ 43,994,153	\$ 2,100,855	\$ 95,868	\$ 45,999,140
Net Capital Assets	\$ 48,442,457	\$ 2,309,972	\$ 45,029	\$ 50,707,400

Capital asset activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Capital Assets not being Depreciated:</u>				
Land and Easements	\$ 578,599	\$	\$	\$ 578,599
Construction In Progress	56,391	115,916	37,711	134,596
Total Capital Assets not being Depreciated	\$ 634,990	\$ 115,916	\$ 37,711	\$ 713,195
<u>Capital Assets being Depreciated:</u>				
Sewage Collection Facilities	\$ 77,591,218	\$ 552,249	\$	\$ 78,143,467
Administrative Facilities	8,179,979	5,460		8,185,439
General Plant and Administrative Equipment	5,330,358	240,464	176,313	5,394,509
Total Capital Assets being Depreciated	\$ 91,101,555	\$ 798,173	\$ 176,313	\$ 91,723,415
<u>Less Accumulated Depreciation for:</u>				
Sewage Collection Facilities	\$ 33,763,932	\$ 1,472,214	\$	\$ 35,236,146
Administrative Facilities	4,625,497	271,378		4,896,875
General Plant and Administrative Equipment	3,708,232	329,213	176,313	3,861,132
Total Depreciation	\$ 42,097,661	\$ 2,072,805	\$ 176,313	\$ 43,994,153
Net Capital Assets	\$ 49,638,884	\$ 1,158,716	\$ 37,711	\$ 48,442,457

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 5 DEFINED BENEFIT PENSION PLAN:

General Information about the Pension Plan:

Plan Description - All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (the Plan), administered by the California Public Employees' Retirement System (CalPERS). The Plan's benefit provisions are established by statute. The Plan is included as a pension trust fund in the CalPERS Comprehensive Annual Financial Report, which is available online at www.calpers.ca.gov.

The Plan consists of a miscellaneous pool and a safety pool (referred to as "risk pools"), which are comprised of individual employer miscellaneous and safety rate plans, respectively, including those of the District. The District's employer rate plans in the miscellaneous risk pool include the Miscellaneous plan (Miscellaneous) and the PEPRM Miscellaneous plan (PEPRM Miscellaneous). The District does not have any rate plans in the safety risk pool.

Benefits Provided - The Plan provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Classic members and PEPRM Safety members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. PEPRM Miscellaneous members with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The death benefit is the Basic Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plan's provisions and benefits in effect as of June 30, 2020 and 2019 are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2.7% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	52
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	7.954% as of June 30, 2020 and 7.952% as of June 30, 2019	6.75% as of June 30, 2020 and 6.25% as of June 30, 2019
Required employer contribution rates	12.514% as of June 30, 2020 and 11.569% as of June 30, 2019	6.985% as of June 30, 2020 and 6.842% as of June 30, 2019

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 5 DEFINED BENEFIT PENSION PLAN (Continued):

Contribution Description - 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 CalPERS actuary and shall be effective on the July 1 following notice of a change in the rate. Contribution rates for the employer rate plans are determined through the CalPERS' annual actuarial valuation process. Each employer rate plan's actuarially determined rate is based on the estimated amount necessary to pay the employer rate plan's allocated share of the cost of benefits earned by employees during the year, and 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 risk pool in the Plan for the years ended June 30, 2020 and 2019 were as follows:

	<u>Miscellaneous</u>	
	<u>2020</u>	<u>2019</u>
Miscellaneous Risk Pool	<u>\$ 1,326,897</u>	<u>\$ 1,713,094</u>

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions - As of June 30, 2020 and 2019, the District reported net pension liability of \$5,302,332 and \$5,700,713, respectively, for its proportionate share of the net pension liability. The District's net pension liability for each risk pool is measured as the proportionate share of each risk pool's net pension liability. GASB 68 indicates that to the extent different contribution rates are assessed based on separate relationships that constitute the collective net pension liability, the determination of the employer's proportionate share of the collective net pension liability should be made in a manner that reflects those relationships. The allocation method used by CalPERS to determine each employer's proportionate share reflects those relationships through the employer rate plans they sponsor within the respective risk pools. An actuarial measurement of the employer's rate plan liability and asset-related information are used where available, and proportional allocations of individual employer rate plan amounts as of the valuation date are used where not available.

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 5 DEFINED BENEFIT PENSION PLAN (Continued):

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued):

The District's proportionate share of the net pension liability as of June 30, 2018 and 2017, the valuation dates, was calculated as follows:

In determining an employer's proportionate share, the employer rate plans included in the Plan were assigned to either the Miscellaneous or Safety risk pool. Estimates of the total pension liability and the fiduciary net position were first determined for the individual rate plans and each risk pool as of the valuation dates June 30, 2018 and 2017. Each employer rate plan's fiduciary net position was subtracted from its total pension liability to obtain its net pension liability as of the valuation date. The District's proportionate share percentage for each risk pool at the valuation date was calculated by dividing the District's net pension liability for each of its employer rate plans within each risk pool by the net pension liability of the respective risk pool as of the valuation date.

The District's proportionate share of the net pension liability as of June 30, 2019 and 2018, the measurement dates, was calculated as follows:

Each risk pool's total pension liability was computed at the measurement dates June 30, 2019 and 2018, by applying standard actuarial roll-forward methods to the total pension liability amounts as of the valuation date. The fiduciary net position for each risk pool at the measurement date was determined by CalPERS' Financial Office. The net pension liability for each risk pool at measurement dates June 30, 2019 and 2018, was computed by subtracting the respective risk pool's fiduciary net position from its total pension liability.

The individual employer rate plan's proportionate share percentage of the total pension liability and fiduciary net position as of June 30, 2019 and 2018, was calculated by applying the District's proportionate share percentages as of the valuation date (described above) to the respective risk pool's total pension liability and fiduciary net position as of June 30, 2019 and 2018, to obtain each employer rate plan's total pension liability and fiduciary net position as of June 30, 2019 and 2018. The fiduciary net position was then subtracted from its total pension liability to obtain the net pension liability as of the measurement dates.

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 5 DEFINED BENEFIT PENSION PLAN (Continued):

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued):

The District's proportionate share percentage of the net pension liability for the plan as of the measurement date June 30, 2019 was as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2018 (Measurement Date)	0.151264%
Proportion - June 30, 2019 (Measurement Date)	<u>0.132409%</u>
Change	<u>(0.018855%)</u>

The District's proportionate share percentage of the net pension liability for the plan as of the measurement date June 30, 2018 was as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2017 (Measurement Date)	0.175515%
Proportion - June 30, 2018 (Measurement Date)	<u>0.151264%</u>
Change	<u>(0.024251%)</u>

The District recognized pension expense of \$1,467,996 and \$931,246 for the years ended June 30, 2020 and 2019, respectively. Pension expense is comprised of various elements including service cost, interest, changes in benefit terms, investment experience, and the amortization of deferred outflows and inflows of resources, which are all factors used by the actuaries in the calculation of the net pension liability.

As of June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension Contributions Subsequent to Measurement Date	\$ 1,326,897	\$
Differences between Expected and Actual Experiences	484,728	(37,142)
Changes of Assumptions	329,126	(117,287)
Net Difference between Projected and Actual Earnings on Pension Plan Investments		(120,372)
Differences between Actual and Required Contributions	817,073	(42,289)
Adjustment due to Differences in Proportions	<u>37,681</u>	<u>(897,203)</u>
Total	<u>\$ 2,995,505</u>	<u>(\$ 1,214,293)</u>

Truckee Sanitary District
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2020 and 2019

NOTE 5 DEFINED BENEFIT PENSION PLAN (Continued):

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued):

It should be noted that a deferred outflow of \$1,326,897 was related to contributions subsequent to the measurement date, and the entire amount will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts (i.e. amounts other than contributions subsequent to the measurement date) reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ending June 30:	Deferred Outflow/(Inflows) of Resources
2021	\$ 467,885
2022	(84,644)
2023	44,631
2024	26,443
2025	
Thereafter	
Total	\$ 454,315

As of June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Contributions Subsequent to Measurement Date	\$ 1,713,094	\$
Differences between Expected and Actual Experiences	250,546	(84,801)
Changes of Assumptions	740,535	(182,448)
Net Difference between Projected and Actual Earnings on Pension Plan Investments	3,898	
Differences between Actual and Required Contributions	548,579	(170,847)
Adjustment due to Differences in Proportions	102,320	(600,187)
Total	\$ 3,358,972	(\$ 1,038,283)

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 5 DEFINED BENEFIT PENSION PLAN (Continued):

Actuarial Assumptions - In the actuarial valuations for measurement periods June 30, 2019 and 2018, the total pension liabilities were determined using the following actuarial methods and assumptions:

	<u>Miscellaneous</u>
Valuation Date (VD)	June 30, 2018 and 2017
Measurement Date (MD)	June 30, 2019 and 2018
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50% as of June 30, 2019 and 2018 Measurement Dates
Payroll Growth	2.75% as of June 30, 2019 and 2018 Measurement Dates
Projected Salary Increase (1)	Varies By Age and Length of Service
Investment Rate of Return (2)	7.00% as of June 30, 2019 and 2018 Measurement Dates
Mortality Rate Table (3)	Derived using CalPERS' Membership Data

⁽¹⁾ Depending on age, service and type of employment

⁽²⁾ Net of Pension Plan Investment and Administrative Expenses; includes Inflation

⁽³⁾ The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the April 2014 experience study report (based on CalPERS demographic data from 1997 to 2011) available online at <https://www.calpers.ca.gov/docs/forms-publications/calpers-experience-study-2014.pdf>.

Changes of Assumptions - There were no changes of assumptions during the measurement period June 30, 2019. Deferred inflows of resources for changes of assumptions presented in the financial statements represent the unamortized portion of the changes of assumptions related to prior measurement periods.

Discount Rate - The discount rate used to measure the total pension liability was 7.15% for the June 30, 2019 and June 30, 2018 measurement dates. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested employer rate plans within the Plan that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested employer rate plans run out of assets. Therefore, the current 7.15% discount rate is adequate, and the use of the municipal bond rate calculation is not necessary. The stress test results are presented in a detailed report, *GASB Statements 67 and 68 Crossover Testing Report for Measurement Date June 30, 2019 based on June 30, 2018 Valuations*, that can be obtained from the CalPERS website.

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 5 DEFINED BENEFIT PENSION PLAN (Continued):

Discount Rate (Continued):

According to Paragraph 30 of GASB 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. For the CalPERS Plan, the 7.00% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed 15 basis points. An investment return excluding administrative expenses would have been 7.15%. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

In the December 2016 and April 2017 meetings, the Board voted to lower the funding discount rates used for the PERF. In making its decision, the Board reviewed recommendations from CalPERS team members, external pension and investment consultants, and input from employer and employee stakeholder groups. A lowered funding discount rate for the PERF will be phased in over a three-year period beginning July 1, 2018 for public agencies and school districts.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the Plan's asset classes, expected compound (geometric) returns were calculated over the short-term (first 11 years) and the long-term (60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for the Plan. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 5 DEFINED BENEFIT PENSION PLAN (Continued):

Discount Rate (Continued):

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	June 30, 2020		
	New Strategic Allocation	Real Return Years 1 – 10 (a)	Real Return Years 11+ (b)
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	(0.92%)
Total	<u>100.00%</u>		

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

(b) An expected inflation of 2.92% used for this period.

Asset Class	June 30, 2019		
	New Strategic Allocation	Real Return Years 1 – 10 (a)	Real Return Years 11+ (b)
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	(0.92%)
Total	<u>100.00%</u>		

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

(b) An expected inflation of 2.92% used for this period.

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 5 DEFINED BENEFIT PENSION PLAN (Continued):

Sensitivity of the District's 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 of each risk pool as of the measurement date, calculated using the discount rate, 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:

As of June 30, 2020, the discount rate comparison was the following:

	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
District's Net Pension Liability	\$ 9,530,378	\$ 5,302,332	\$ 1,812,381

As of June 30, 2019, the discount rate comparison was the following:

	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
District's Net Pension Liability	\$ 9,659,733	\$ 5,700,713	\$ 2,432,603

NOTE 6 OTHER POST-EMPLOYMENT BENEFITS (OPEB):

Plan Description - The Plan provides other post-employment benefits to qualified employees and elected officials as well as their eligible survivors and dependents. The District contracts with CalPERS for medical coverage (see Note 1 Q). The California Employers' Retiree Benefit Trust (CERBT) is part of the Public District portion of the California Public Employees Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employees with the State of California. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office - 400 Q Street - Sacramento, CA 95811.

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 6 OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued):

Benefits Provided - The District provides for a medical coverage vesting benefit in accordance with Government Code 22893 to receive retiree medical coverage benefits. Employees retiring with at least 10 years of CalPERS service and at least five years of CalPERS service with the District qualify for medical coverage vesting. The vesting schedule provides 50% of the Sacramento area PERS Choice rate to the retiree and eligible survivors and dependents after 10 years of CalPERS service with an additional 5% each year thereafter, up to a maximum of 100% with 20 years of CalPERS service. The District also provides for the medical coverage benefits to be continued under the CalPERS health plan to eligible family members upon the death of an employee prior to retirement. CalPERS survivor benefits have complex eligibility requirements and are determined by CalPERS. The District provides for health and welfare benefits for elected officials and eligible dependents. Active elected officials, officials retiring with at least 12 years of service on the District Board, and their eligible dependents receive 100% of the medical premium paid by the District up to a maximum of the Sacramento area PERS Choice premium rate. District policy also provides for dental and vision coverage benefits. In addition, contributions of \$20 per month are deposited on behalf of its elected officials into the District sponsored 457 plan as is required to satisfy the non-PERS employer definition of a contracting District under Government Code Section 229020(b).

Effective January 1, 2020, the District's contract with CalPERS for medical benefits coverage provided to qualified employee and elected officials as well as their eligible survivors and dependents changed to the maximum of the Region 1 PERS Choice premium rates.

Employees Covered - As of the June 30, 2019 actuarial valuation, the following current and former employees were covered by the benefit terms under the Plan:

Participating Active employees	44
Inactive employees or beneficiaries currently receiving benefits	19
Inactive employees entitled to, but not yet receiving benefits*	<u> </u>
	<u> </u> <u> </u> 63

* Information was not provided about any terminated, vested employees

Contributions - The annual contribution is based on an ad-hoc basis, but in the amount sufficient to fully fund the obligation over the period not to exceed 30 years. For the fiscal years ended June 30, 2020 and 2019, the District's contributions were \$331,260 and \$440,289, respectively. Employees are not required to contribute to the Plan.

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 6 OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued):

Net OPEB Liability - The District's net OPEB liability was measured as of June 30, 2019 and 2018; the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of those dates.

Actuarial Assumptions - The District's net OPEB liability was measured as of June 30, 2019 and 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by the actuarial valuation dated June 30, 2019 and 2017. In the actuarial valuations for measurement periods June 30, 2019 and 2018, the total OPEB liabilities were determined based on the following actuarial methods and assumptions:

Actuarial Assumptions:	
Valuation Date (VD)	June 30, 2019 and June 30, 2017
Measurement Date (MD)	June 30, 2019 and June 30, 2018
Actuarial Cost Method	Entry Age
Discount Rate	7.00%
Inflation	2.75%
Trend	4.00%
Payroll Growth	2.75%
Investment Rate of Return (1)	7.00%
Mortality Rate Table	2014 CalPERS Active and Retiree Mortality for Miscellaneous Employees
Pre-Retirement Turnover	2009 CalPERS' Turnover for Miscellaneous

(1) Net of expenses; Based on long-term return on plan assets assuming 100% funding through CERBT.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table as of June 30, 2020 and 2019:

<u>Asset Class</u>	<u>Percentage of Portfolio</u>	<u>Assumed Gross Return</u>
US Large Cap	43.00%	7.7950%
US Small Cap	23.00%	7.7950%
Long-Term Corporate Bonds	12.00%	5.2950%
Long-term Government Bonds	6.00%	4.5000%
Treasury Inflation Protected Securities (TIPS)	5.00%	7.7950%
US Real Estate	8.00%	7.7950%
All Commodities	3.00%	7.7950%
	<u>100.00%</u>	

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 6 OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued):

Discount Rate - The discount rate used to measure the total OPEB liability was 7.00%. The discount rate is based on assumed long-term expected rate of return on plan assets assuming 100% funding through CERBT. The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of 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, historic 30-year real rates were used for each asset class, along with assumed long-term inflation assumptions. The expected investment returns were offset by investment expenses of 25 basis points.

Changes in the OPEB Liability - The changes in the net OPEB liability for the Plan are as follows for measurement periods ended June 30, 2019 and 2018:

	Increase (Decrease)		
	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2018	\$ 5,512,218	\$ 4,568,486	\$ 943,732
Changes Recognized for the Measurement Period:			
Service Cost	\$ 163,856	\$	\$ 163,856
Interest on Total OPEB Liability	384,114		384,114
Employer Contributions to Trust		225,000	(225,000)
Employer Contributions as Benefit Payments		215,289	(215,289)
Investment Gains/Losses		(36,436)	36,436
Expected Investment Income		327,635	(327,635)
Benefit payments from Employer	(215,289)	(215,289)	
Expected Minus Actual Benefit Payments	1,692		1,692
Experience (Gains)/Losses	101,729		101,729
Administrative Expense		(983)	983
Net Changes	\$ 436,102	\$ 515,216	(\$ 79,114)
Balance at June 30, 2019	\$ 5,948,320	\$ 5,083,702	\$ 864,618

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 6 OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued):

Changes in the OPEB Liability (Continued):

	Increase (Decrease)		
	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability/(Asset)
	(a)	(b)	(c) = (a) - (b)
Balance at June 30, 2017	\$ 5,196,984	\$ 4,146,131	\$ 1,050,853
Changes Recognized for the Measurement Period:			
Service Cost	\$ 159,471	\$	\$ 159,471
Interest on Total OPEB Liability	362,147		362,147
Changes of assumptions			
Employer Contributions		306,384	(306,384)
Investment Gains/Losses		36,594	(36,594)
Actual Investment Income		293,460	(293,460)
Benefit Payments	(206,384)	(206,384)	
Administrative Expense		(7,699)	7,699
Net Changes	<u>\$ 315,234</u>	<u>\$ 422,355</u>	<u>(\$ 107,121)</u>
Balance at June 30, 2018	<u>\$ 5,512,218</u>	<u>\$ 4,568,486</u>	<u>\$ 943,732</u>

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - The following presents the net OPEB liability of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement periods ended June 30, 2019 and 2018:

	June 30, 2019		
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
	Net OPEB Liability	<u>\$ 1,638,409</u>	<u>\$ 864,618</u>

	June 30, 2018		
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
	Net OPEB Liability	<u>\$ 1,637,733</u>	<u>\$ 943,732</u>

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates - The following presents the net OPEB liability of the District if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement periods ended June 30, 2019 and 2018:

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 6 OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued):

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates (Continued):

	June 30, 2019		
	Current Healthcare		
	1% Decrease (6.00%)	Cost Trend Rates (7.00%)	1% Increase (8.00%)
Net OPEB Liability	\$ 213,074	\$ 864,618	\$ 1,635,913

	June 30, 2018		
	Current Healthcare		
	1% Decrease (6.00%)	Cost Trend Rates (7.00%)	1% Increase (8.00%)
Net OPEB Liability	\$ 302,384	\$ 943,732	\$ 1,702,569

OPEB Plan Fiduciary Net Position - Detailed information about the OPEB plan's fiduciary net position is available in the separately issued plan financial report issued by CalPERS and located on its website.

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB - The District recognized OPEB expense of \$235,263 and \$225,538 as of June 30, 2020 and 2019, respectively. OPEB expense is comprised of various elements including service cost, interest on total OPEB liability, changes in benefit terms, recognized actuarial gains and losses, investment income, recognized investment gains and losses, and administrative expense, which are all factors used by the actuaries in the calculation of the net OPEB liability.

As of fiscal year ended June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB Contributions Subsequent to Measurement Date	\$ 331,260	\$
Investment Gains/Losses	7,192	
Experience gains and losses	89,445	
Total	\$ 427,897	\$

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 6 OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued):

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB (Continued):

It should be noted that the \$331,260 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2019 measurement date was recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2020. Other amounts (i.e. amounts other than contributions subsequent to the measurement date) reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Fiscal Year Ending June 30:	Deferred Outflow/(Inflows) of Resources
2021	\$ 13,945
2022	13,945
2023	13,946
2024	21,260
2025	13,976
Thereafter	19,565
Total	<u>\$ 96,637</u>

As of fiscal year ended June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB Contributions Subsequent to Measurement Date	\$ 440,289	\$
Net Difference between Projected and Actual Earnings on OPEB Plan Investments		29,275
Total	<u>\$ 440,289</u>	<u>\$ 29,275</u>

NOTE 7 VOTER LEGISLATION:

Proposition 218 was approved by the voters in November 1996, and regulates the District's ability to impose, increase and extend assessments and fees. Any new, increased, or extended assessments and fees subject to the provisions of Proposition 218 requires voter approval before they can be implemented. Additionally, Proposition 218 provides that these assessments and fees are subject to the voter initiative process and may be rescinded in the future by the voters.

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 8 COMMITMENTS AND CONTINGENCIES:

The District entered into construction commitments totaling \$1,460,336 for the fiscal year ended June 30, 2020 of which \$792,527 was incurred and recorded as of June 30, 2020. The District entered into construction commitments totaling \$1,315,303 for the fiscal year ended June 30, 2019 of which \$0 was incurred and recorded as of June 30, 2019.

The District has a potential claim outstanding as of June 30, 2020. The District intends to dispute this claim, and, if necessary, defend the matter vigorously. Given the uncertainty of litigation, and based on correspondence with the District's legal counsel, the District deems the liability, if any, and expense, if any, related to the outstanding potential claim as possible, (i.e., neither likely nor unlikely), and the amount, if any, is not reasonably estimable as of June 30, 2020. Accordingly, no provision for any liability related to the outstanding claim has been made in the accompanying financial statements.

NOTE 9 RELATED PARTY TRANSACTIONS:

The District is a member of the California Sanitation Risk Management Authority (CSRMA), a Joint Powers Authority formed under the laws of the California Government Code to participate in a Workers' Compensation Insurance Program. During the years ended June 30, 2020 and 2019, the District paid \$69,699 and \$113,726, respectively, for insurance coverage under this agreement. There were retroactive adjustments of \$16,761 and \$5,726 from the previous years that were applied to the payments for the fiscal years ended 2020 and 2019, respectively.

NOTE 10 RISK MANAGEMENT:

The District is exposed to various risks of loss related to torts; theft, damage and destruction of assets; errors and omissions; injuries to employees; life and health of employees; and natural disasters.

The District purchases commercial property insurance for real and personal property damage owned by the District with coverage up to a maximum of \$18.1 million. The limit for both loss of income and extra expense coverage is the actual loss sustained within 12 consecutive months after the date of loss. There are various policy sub-limits based upon the value of individual properties. In addition, the District purchases commercial property insurance for earthquake related property damage with coverage up to a maximum of \$5.0 million, subject to a 5% deductible per building. The District also purchases property insurance covering \$97,000 for unscheduled contractor's equipment, \$188,532 for scheduled equipment, and \$100,000 for rented, leased or borrowed equipment.

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 10 RISK MANAGEMENT (Continued):

The District purchases general liability and management liability insurance coverage up to policy term aggregate limits of \$3.0 million each subject to various sub-policy limits, generally \$1.0 million for various activities such as personal and advertising injury or fire damage. The District also maintains insurance coverage related to employee dishonesty and crime. Finally, the District maintains commercial automobile insurance for bodily injury in addition to vehicle related property damage with coverage up to a maximum of \$1.0 million and commercial umbrella insurance or excess liability coverage up to a maximum of \$5.0 million. The umbrella coverage is in addition to the general liability, automobile liability, and management liability underlying coverages.

NOTE 11 PROPERTY TAXES:

The District has a gross assessed valuation of \$6,766 and \$6,473 billion for the fiscal years Ended June 30, 2020 and 2019, respectively. The tax rate for the administrative expenses of the District was computed by the counties under Proposition 13. The tax rates assessed were within legal limits as allowed by law.

NOTE 12 LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS:

The District is responsible for a closed solid waste disposal site that exists on land owned by the District at Truckee River Regional Park.

In accordance with the Operations, Maintenance and Monitoring Plan, the District has an obligation for the protection and maintenance of the site and files an annual report detailing inspections and maintenance activities at the site with the Department of Toxic Substances Control (DTSC). The Operations, Maintenance, and Monitoring Annual Report for 2019, submitted to DTSC in January, 2020, found the vegetative cap, asphalt pavement, storm water damage, and monitoring wells associated with the site to be functioning as designed with no recommended repairs or corrective action required. The District funds the annual costs for its consultant through its operations and maintenance budget. For the fiscal years ended June 30, 2020 and 2019, the budgeted cost was \$4,500 for both years, and the actual cost incurred were \$8,348 and \$1,125, respectively.

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 13 SUBSEQUENT EVENTS REVIEW:

Management has evaluated subsequent events through the date of the audit report, which is the date the financial statements were available to be issued.

The World Health Organization declared the worldwide coronavirus (COVID-19) outbreak a public health emergency on January 30, 2020 and officially declared it as a pandemic as of March 11, 2020. The operations and business results of the District could potentially be adversely affected by this global pandemic. The extent to which the coronavirus may impact business activity or investment results will depend on future developments which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus. The District is currently not aware any contingencies that should be included in the financial statements specific to this issue.

REQUIRED SUPPLEMENTARY INFORMATION

Truckee Sanitary District

SCHEDULE OF OPEB CONTRIBUTIONS

As of June 30, 2020

LAST TEN YEARS*

<u>Schedule of OPEB Contributions:</u>	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018
Actuarially Determined Contributions (ADC) **	\$	\$	\$
Contributions in Relation to the ADC	(331,260)	(440,289)	(303,054)
Contribution Deficiency (Excess)	<u>(\$ 331,260)</u>	<u>(\$ 440,289)</u>	<u>(\$ 303,054)</u>
Covered-Employee Payroll	\$ 3,978,542	\$ 3,662,494	\$ 3,601,983
Contributions as a Percentage of Covered-Employee Payroll	8.33%	12.02%	8.41%

Notes to Schedule:

* Fiscal Year 2018 was the first year of implementation, therefore only three years are shown.

**Amount was not calculated. The District's contribution was assumed to be made on an ad hoc basis.

Truckee Sanitary District

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY

As of June 30, 2020

LAST TEN YEARS*

	Measurement Date June 30, 2019	Measurement Date June 30, 2018	Measurement Date June 30, 2017
Total OPEB Liability			
Service Cost	\$ 163,856	\$ 159,471	\$ 155,203
Interest on Total OPEB Liability	384,114	362,147	341,686
Benefit Payments	(215,289)	(206,384)	(211,340)
Experience (Gains)/Losses	101,729		
Expected Minus Actual Benefit Payments	1,692		
Net Change in Total OPEB Liability	\$ 436,102	\$ 315,234	\$ 285,549
Total OPEB Liability- Beginning	5,512,218	5,196,984	4,911,435
Total OPEB Liability - Ending (a)	\$ 5,948,320	\$ 5,512,218	\$ 5,196,984
Plan Fiduciary Net Position			
Employer Contributions to Trust	\$ 225,000	\$ 100,000	\$ 274,038
Employer Contributions as Benefit Payments	215,289	206,384	211,340
Actual Investment Income			379,263
Investment Gains/Losses	(36,436)	36,594	
Expected Investment Income	327,635	293,460	
Benefit payments from Employer	(215,289)	(206,384)	(211,340)
Administrative Expense	(983)	(7,699)	(1,924)
Net Change in Plan Fiduciary Net Position	\$ 515,216	\$ 422,355	\$ 651,377
Plan Fiduciary Net Position - Beginning	4,568,486	4,146,131	3,494,754
Plan Fiduciary Net Position - Ending (b)	\$ 5,083,702	\$ 4,568,486	\$ 4,146,131
Net OPEB Liability - Ending (a) - (b)	\$ 864,618	\$ 943,732	\$ 1,050,853
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	85.46%	82.88%	79.78%
Covered-Employee Payroll	\$ 3,662,494	\$ 3,601,983	\$ 3,421,184
Net OPEB Liability as a Percentage of Covered-Employee Payroll	23.61%	26.20%	30.72%

Notes to Schedule:

*Fiscal Year 2018 was the first year of implementation, therefore only three years are shown.

Truckee Sanitary District

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY

As of June 30, 2020

LAST TEN YEARS*

	Measurement Date June 30, 2019	Measurement Date June 30, 2018	Measurement Date June 30, 2017	Measurement Date June 30, 2016	Measurement Date June 30, 2015	Measurement Date June 30, 2014
Plan's Proportion of the Net Pension Liability	0.051745%	0.059159%	0.069777%	0.06838%	0.06584%	0.05652%
Plan's Proportionate Share of the Net Pension Liability	\$ 5,302,332	\$ 5,700,713	\$ 6,918,883	\$ 5,916,852	\$ 4,519,215	\$ 3,516,805
Plan's Covered Payroll	\$ 3,662,494	\$ 3,601,983	\$ 3,421,184	\$ 2,978,692	\$ 3,032,804	\$ 3,107,042
Plan's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	144.77%	158.27%	202.24%	198.64%	149.01%	113.19%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	83.13%	80.52%	74.94%	75.92%	79.46%	83.03%

Notes to Schedule:

Change of benefit terms – There were no changes of benefit terms during the measurement period June 30, 2019.

Changes in assumptions – There were no assumption changes during the measurement period June 30, 2019.

*Fiscal Year 2015 was the first year of implementation, therefore only six years are shown.

Truckee Sanitary District

SCHEDULE OF THE DISTRICT'S PENSION PLAN CONTRIBUTIONS

June 30, 2020

LAST TEN YEARS*

	Fiscal Year 2019-2020	Fiscal Year 2018-2019	Fiscal Year 2017-2018	Fiscal Year 2016-2017	Fiscal Year 2015-2016	Fiscal Year 2014-2015
Actuarially Determined Contribution	\$ 826,897	\$ 713,094	\$ 642,177	\$ 581,849	\$ 549,492	\$ 493,224
Contribution in Relation to the Actuarially Determined Contribution	(1,326,897)	(1,713,094)	(1,642,177)	(581,849)	(549,492)	(493,224)
Contribution Deficiency (excess)	<u>(\$ 500,000)</u>	<u>(\$ 1,000,000)</u>	<u>(\$ 1,000,000)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered Payroll	\$ 3,978,542	\$ 3,662,494	\$ 3,601,983	\$ 3,421,184	\$ 2,978,692	\$ 3,032,804
Contributions as a Percentage of Covered Payroll	33.35%	46.77%	45.59%	17.01%	18.45%	16.26%

* Fiscal Year 2015 was the first year of implementation, therefore only six years are shown.

SUPPLEMENTARY INFORMATION

STATEMENT OF REVENUES AND EXPENSES –
BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2020

<u>Revenues:</u>	Budgeted Amounts Original and Final	Actual Amounts *	Positive (Negative) Variance With Budget
Service Charges	\$ 3,511,000	\$ 3,563,171	\$ 52,171
Property Taxes	5,924,000	6,093,184	169,184
Connection Fees	206,000	245,290	39,290
Inspection Fees	65,000	103,215	38,215
Investment Income, net	323,000	276,780	(46,220)
Rents and Leases	4,000	3,762	(238)
Gain on Sale of Assets		42,400	42,400
Other	65,000	67,921	2,921
	<u>\$ 10,098,000</u>	<u>\$ 10,395,723*</u>	<u>\$ 297,723</u>
Total Revenues			

<u>Operations and Maintenance Expenses:</u>	Budgeted Amounts Original and Final	Actual Amounts	Positive (Negative) Variance With Budget
Salaries & Wages	\$ 2,893,100	\$ 2,956,231	(\$ 63,131)
Pension Benefits	1,120,900	1,474,332	(353,432)
Health & Other Benefits	704,600	672,126	32,474
Payroll Burden	299,700	281,854	17,846
Retiree Health/OPEB	14,200	229,895	(215,695)
Repairs and Maintenance	280,500	272,671	7,829
Utilities and Phone Services	138,700	141,272	(2,572)
Supplies - Operating & Safety	54,000	68,432	(14,432)
Fuel Expense	59,000	51,035	7,965
Outside Services	118,000	48,996	69,004
Travel/Training/Mtgs: Gen-Safety-EE Relations	46,400	19,175	27,225
Info Tech & Office Expenses	137,700	102,892	34,808
Dues, Subscriptions & Memberships	11,000	10,985	15
Uniforms, Linen & Safety Boots	24,900	23,643	1,257
Environmental Permits and Fees	23,500	24,683	(1,183)
Misc- Current Year	1,700		1,700
	<u>\$ 5,927,900</u>	<u>\$ 6,378,222</u>	<u>(\$ 450,322)</u>
Total Operations and Maintenance Expenses			

STATEMENT OF REVENUES AND EXPENSES –
BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2020

<u>General and Administrative Expenses:</u>	Budgeted Amounts Original and Final	Actual Amounts	Positive (Negative) Variance With Budget
Salaries & Wages	\$ 1,225,100	\$ 1,279,109	(\$ 54,009)
Pension Benefits	420,500	551,814	(131,314)
Health & Other Benefits	379,900	352,083	27,817
Payroll Burden	90,200	97,359	(7,159)
Retiree Health/OPEB	244,800	101,365	143,435
Liability Insurance	155,000	141,203	13,797
Repairs and Maintenance	12,000	11,495	505
Utilities and Phone Services	13,600	13,853	(253)
County Ad Valorem & Admin Fees	125,000	132,064	(7,064)
Supplies - Operating & Safety	116,000	101,628	14,372
Fuel Expense	1,500	1,000	500
Outside Services	108,700	77,443	31,257
Legal Fees	40,000	37,663	2,337
Travel/Training/Mtgs: Gen-Safety-EE Relations	82,200	50,346	31,854
Info Tech & Office Expenses	20,000	15,346	4,654
Dues, Subscriptions & Memberships	25,000	24,906	94
Uniforms, Linen & Safety Boots	500	-	500
LAFCO Expenses	7,000	7,760	(760)
Printing and Publications	20,000	12,142	7,858
Misc- Current Year	3,100	7,714	(4,614)
Total General and Administrative Expenses	\$ 3,090,100	\$ 3,016,293	\$ 73,807
* Actual does not include the non-budgeted items of contributed capital from dedications.			
Total Expenses	\$ 9,018,000	\$ 9,394,515	(\$ 376,515)
Excess Revenues Over Expenses	\$ 1,080,000	\$ 1,001,208	(\$ 78,792)

STATEMENT OF REVENUES AND EXPENSES –
BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2020

Operations and Maintenance Expenses as Shown in the Statement of Revenues, Expenses, and Changes in Net Position:

	<u>Actual Amounts</u>
Total Actual Operations and Maintenance Expenses per Schedule 1	\$ 6,378,222
Non-Budgeted Actual Operations and Maintenance Expenses:	
Pension Expense Adjustment Due to GASB 68 Rollforward	99,925
OPEB Expense Adjustment Due to GASB 75 Rollforward	(67,986)
California Employers Pension Prefunding Trust (CEPPT) Contribution	(354,100)
Subtotal Operations and Maintenance Expenses	\$ 6,056,061
Fund 2 Expenses:	(56,368)
Fund 5 Expenses:	<u>114,590</u>
Total Operations and Maintenance Expenses per the Statement of Revenues, Expenses, and Changes in Net Position	<u>\$ 6,114,283</u>

General and Administrative Expenses as Shown in the Statement of Revenues, Expenses, and Changes in Net Position:

	<u>Actual Amounts</u>
Total Actual General and Administrative Expenses per Schedule 1	\$ 3,016,293
Non-Budgeted Actual General and Administrative Expenses:	
Pension Expense Adjustment Due to GASB 68 Rollforward	41,171
OPEB Expense Adjustment Due to GASB 75 Rollforward	(28,011)
California Employers Pension Prefunding Trust (CEPPT) Contribution	(145,900)
Total General and Administrative Expenses per the Statement of Revenues, Expenses, and Changes in Net Position	<u>\$ 2,883,553</u>