



TRUCKEE SANITARY DISTRICT

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

FOR THE FISCAL YEARS ENDED
JUNE 30, 2023 and 2022

JAMES MARTA & COMPANY
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TRUCKEE SANITARY DISTRICT

BOARD OF DIRECTORS

JUNE 30, 2023

<u>Name</u>	<u>Office</u>	<u>Term Expires November</u>
Dennis Anderson	Board President	2024
Marcus Waters	Vice President	2026
Brian Kent Smart	Director, Finance Committee	2024
Jerry Gilmore	Director, Finance Committee	2026
Nelson Van Gundy	Director	2026

MANAGEMENT STAFF

General Manager/Chief Engineer	Blake R. Tresan, P.E.
Assistant General Manager/District Engineer	Raymond P. Brown, P.E.
O & M Superintendent	Eric Sundale
Finance & Administration Services Manager	Mark J. Wasley

TRUCKEE SANITARY DISTRICT

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James Marta & Company LLP

Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Truckee Sanitary District
Truckee, California

Report on the Audit of the Financial Statements

Opinions

We have audited the Statement of Net Position of Truckee Sanitary District (the District), as of and for the fiscal years ended June 30, 2023 and 2022, and the related Statements of Revenues, Expenses, and Changes in Net Position, Statement of Cash Flows and notes to the financial statements, which collectively comprise the Truckee Sanitary District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Truckee Sanitary District, as of June 30, 2023 and 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of OPEB Contributions, Schedule of Changes in the District's Net OPEB Liability and Related Ratios, Schedule of the District's Proportionate Share of the Net Pension Liability and Schedule of Pension Contributions information on 45-48 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

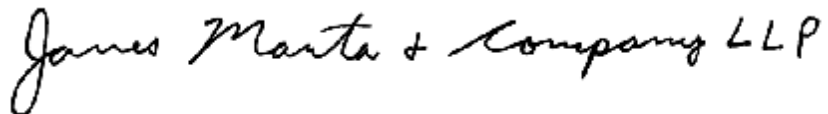
Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Statement of Revenues and Expenses – Budget and Actual, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Statement of Revenues and Expenses – Budget and Actual, 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 Statement of Revenues and Expenses – Budget and Actual, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2024, on our consideration of Truckee Sanitary District's internal control over financial reporting and our tests of its compliance with provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Truckee Sanitary District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "James Marta & Company LLP". The signature is written in a cursive, flowing style.

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
January 8, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

TRUCKEE SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023 AND 2022

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, 2022 through June 30, 2023 (FY 2022-23). Please direct questions regarding this document or the accompanying financial statements to Blake R. Tresan, General Manager, at:

Mail: 12304 Joerger Drive, Truckee, CA 96161

Phone: 530-587-3804

Email: btresan@truckeesan.org

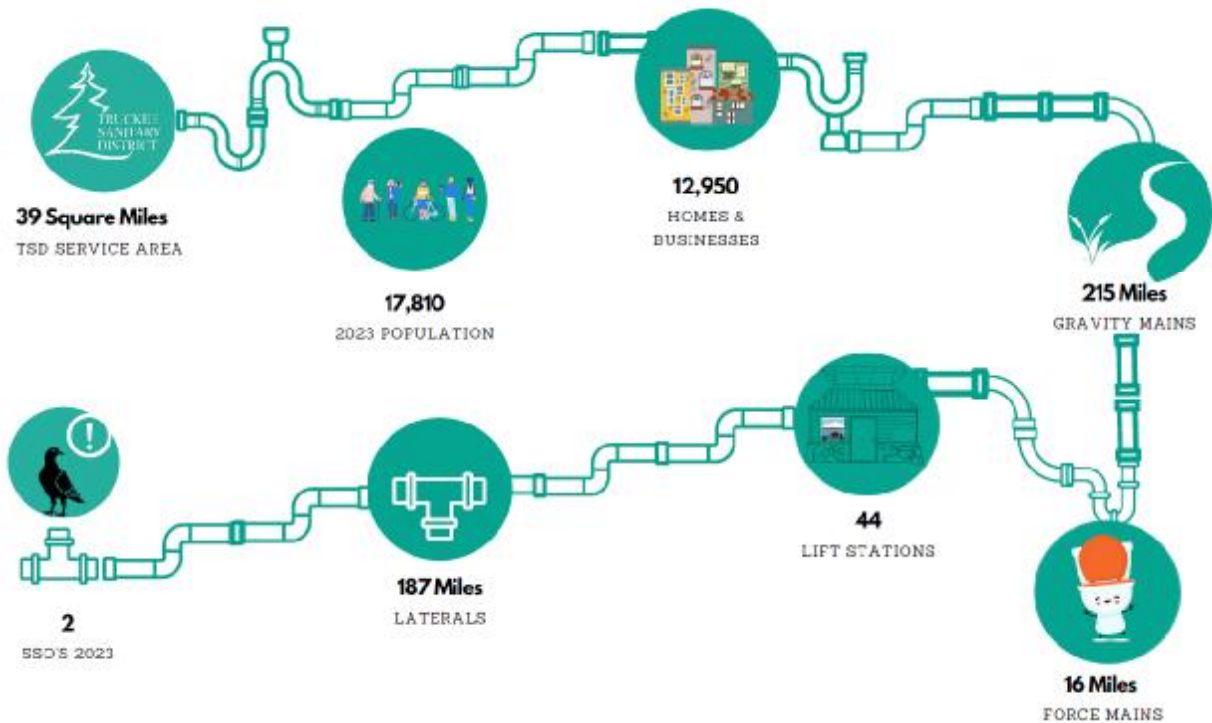
ORGANIZATION AND BUSINESS

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 12,371 residential units and approximately 579 commercial accounts. Service is provided through approximately 215 miles of gravity mains, 16 miles of force mains, 187 miles of laterals, and 44 lift stations.

TRUCKEE SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023 AND 2022

GRAPH 1
TRUCKEE SANITARY DISTRICT BY THE NUMBERS



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 38 full-time employees on June 30, 2023. The General Manager serves as District Treasurer.

Management sets financial policies for the District. The Board of Directors adopts the annual budget for revenues and expenses, approves setting rates and charges, and directs 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 meets bi-weekly to review all payables and make recommendations to the full Board for approval of payables.

TRUCKEE SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023 AND 2022

FINANCIAL HIGHLIGHTS

District Operating Revenue (comprised primarily of Service Charges) increased by 1.1% (\$0.05 million) when compared to FY2021-22.

District Non-Operating Revenue (comprised primarily of Property Taxes) increased by 23.16% (\$1.62 million) when compared to FY2021-22.

District Operating Expenses increased by 17.7% (\$1.77 million) when compared to FY2021-22.

The District's Total Net Position increased by 2.69% (\$1.73 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, Changes in Net Position, and Cash Flows for FY 2022-23. 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.

FINANCIAL STATEMENTS

Net Position:

The District's Total Net Position (see page 7, Table 1, Net Position section) is the sum of: 1) Net Investment in Capital Assets, 2) Restricted Assets, and 3) Unrestricted Assets. The total Net Position at June 30, 2023 is \$66.0 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 \$47.4 million represents the net book value (cost less accumulated depreciation) of assets having an initial cost greater than \$15,000, and an estimated useful life of five or more years.

The portion of Net Position subject to legal restrictions is presented as Restricted Assets. Restricted Assets include: 1) funds designated for the maintenance of original improvements to Sewer Assessment District 5 (Armstrong Tract), 2) capacity expansion which is funded by connection fees, 3) funds held in a Section 115 pension prefunding trust. The total Restricted Net Position at fiscal year-end 2022-23 is \$2.7 million.

TRUCKEE SANITARY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2023 AND 2022

FINANCIAL STATEMENTS (Continued)

Unrestricted Assets are not legally restricted for specific uses. The Board has, by policy, designated uses of some 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 2022-23 is \$15.9million.

The following Condensed Statement of Net Position shows the District's current financial position and compares resources and obligations at June 30, 2023 and 2022.

TABLE 1

Condensed Statement of Net Position as of June 30, 2023 and 2022

	Fiscal Year 2023	Fiscal Year 2022	Difference \$	Difference %
Current Assets	\$ 16,957,000	\$ 15,684,000	\$ 1,273,000	8.12%
Restricted Assets	2,837,000	3,009,000	(172,000)	-5.72%
Net Capital Assets	47,376,000	49,467,000	(2,091,000)	-4.23%
Deferred Pension Outflows (Note 5)	7,248,000	2,520,000	4,728,000	187.62%
Deferred OPEB Outflows (Note 6)	2,025,000	802,000	1,223,000	152.49%
Total Assets & Deferred Outflows of Resources	<u>76,443,000</u>	<u>71,482,000</u>	<u>4,961,000</u>	6.94%
Current Liabilities (payable from Current Assets)	2,101,000	2,475,000	(374,000)	-15.11%
Current Liabilities (payable from Restricted Assets)	-	-	-	0.00%
Long-Term Liabilities	5,623,000	(1,486,000)	7,109,000	-478.40%
Deferred Pension Inflows (Note 5)	1,774,000	5,061,000	(3,287,000)	-64.95%
Deferred OPEB Inflows (Note 5)	970,000	-	970,000	100.00%
Total Liabilities & Deferred Inflows of Resources	<u>10,468,000</u>	<u>6,050,000</u>	<u>4,418,000</u>	73.02%
Net Capital Assets	47,376,000	49,467,000	(2,091,000)	-4.23%
Restricted	2,706,000	2,814,000	(108,000)	-3.84%
Unrestricted	15,894,000	11,966,000	3,928,000	32.83%
Total Net Position	<u>\$ 65,976,000</u>	<u>\$ 64,247,000</u>	<u>\$ 1,729,000</u>	2.69%

TRUCKEE SANITARY DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023 AND 2022

FINANCIAL STATEMENTS (Continued)

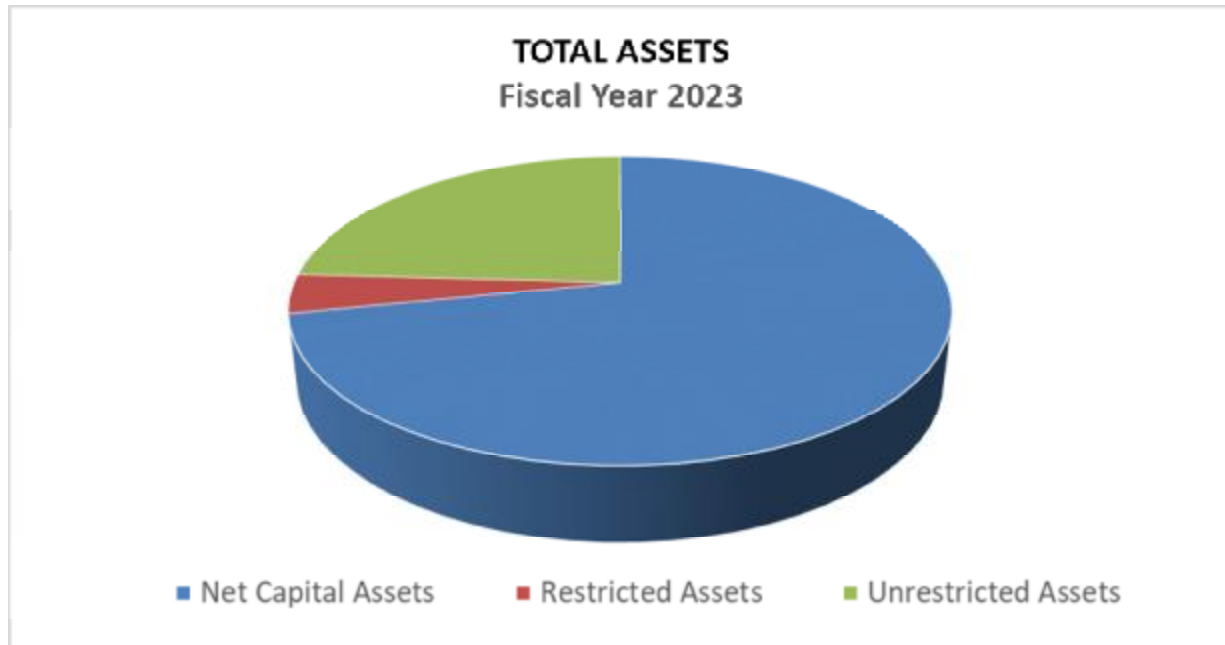


Table 1 shows the District’s Total Net Position was approximately \$66.0 million as of June 30, 2023. This represents a 2.7% increase (\$1.7 million) from the close of the previous fiscal year. The majority of this net increase is attributed to increases in property tax revenue and investment gains.

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 2022-23 and FY 2021-22.

TRUCKEE SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023 AND 2022

FINANCIAL STATEMENTS (Continued)

TABLE 2

Condensed Statement of Revenues, Expenses, and Changes in Net Position for the Years Ended June 30, 2023 and 2022

	Fiscal Year 2023	Fiscal Year 2022	Difference \$	Difference %
Operating Revenues (a)	\$ 4,482,000	\$ 4,433,000	\$ 49,000	1.11%
Non-operating Revenues (b)	8,615,000	6,996,000	1,619,000	23.14%
Total Revenues (a+b)	13,097,000	11,429,000	1,668,000	14.59%
Operating Expenses before Depreciation (c)	9,712,000	7,934,000	1,778,000	22.41%
Operating Loss before Depreciation (a-c)	(5,230,000)	(3,501,000)	(1,729,000)	49.39%
Depreciation (d)	2,116,000	2,120,000	(4,000)	-0.19%
Operating Loss (a-c-d)	(7,346,000)	(5,621,000)	(1,725,000)	30.69%
Net Loss before Contributions (a+b-c-d)	1,269,000	1,375,000	(106,000)	-7.71%
Capital Contributions (e)	459,000	293,000	166,000	56.66%
Change in Net Position (a+b-c-d+e)	1,728,000	1,668,000	60,000	3.60%
Net Position, Beginning of Year (f)	64,247,000	62,579,000	1,668,000	2.67%
Ending Net Position (a+b-c-d+e+f)	\$ 65,975,000	\$ 64,247,000	\$ 1,728,000	2.69%

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, 98.7%, of the District's Operating Revenues and 33.8% of the Total Revenues. In FY 2022-23, the District received \$4.4 million in service charge revenue, up 2.1% from FY 2021-22. The change in service charge revenue is attributed to additional connections being served.

District's non-operating revenue increased by 23.2% (\$1.62 million) when compared to FY 2021-22. Non-operating revenue is comprised primarily of property taxes which increased by 12.1% or \$0.850 million while investment gains also grew by \$0.850 million, an increase of 340%. The increased property tax revenue is primarily attributed to a healthy real estate market including increased sales of existing homes as well as new construction. New investment strategies by the District helped boost investment earnings to \$0.60 million in FY 2022-23. Strategies included investing in U.S. Treasury Securities and transferring excess operating funds from a low-interest bearing investment pool, LAIF, to a higher interest-bearing investment pool, CalClass. These investment strategies, coupled with investment gains in the District's Pension Trust Fund (CEPPT) and favorable fair market value adjustments in FY 2022-23 resulted in solid investment gains in FY 2022-23.

TRUCKEE SANITARY DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023 AND 2022

FINANCIAL STATEMENTS (Continued)

Total Operating Expenses in FY 2022-23 were \$11.83 million, increasing \$1.77 million from prior year. Approximately 17.9% (\$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, 2023 (Table 3) describes cash flow activities from operations, capital and non-capital purchases, and investments.

TABLE 3

Condensed Statement of Cash Flows for the Years Ended June 30, 2023 and 2022

	Fiscal Year 2023	Fiscal Year 2022	Difference \$	Difference %
Net Cash Used by Operating Activities	\$ (8,221,000)	\$ (4,268,000)	\$ (3,953,000)	92.62%
Net Cash Provided by Non-Capital Financing Activities	7,914,000	6,871,000	1,043,000	15.18%
Net Cash Used by Capital & Related Financing Activities	439,000	(205,000)	644,000	-314.15%
Net Cash Provided by Investing Activities	590,000	(263,000)	853,000	-324.33%
Net increase (Decrease) in Cash and Cash Equivalents	722,000	2,135,000	(1,413,000)	-66.18%
Cash and Cash Equivalents, Beginning of Year	17,947,000	15,813,000	2,134,000	13.50%
Cash and Cash Equivalents, End of Year	\$ 18,669,000	\$ 17,948,000	\$ 721,000	4.02%

Table 3 shows the District’s cash position increased 4.0% (\$0.72 million) from the beginning of the year to the end of FY 2022-23. Property taxes and investment income increased by a combined \$1.64 million, during which time payments to suppliers increased by \$2.9 million. This increase in payments is mainly attributable to funding \$2.4 million in additional discretionary payments to the CalPERS pension plan in FY 2022-23, and net CERBT contribution increases of \$0.15 million.

The District participates in 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) totaling \$1.1 million in FY2022-23, the District made additional discretionary payments (ADP) of \$2.4 million to reduce the UAL for Classic employees and retirees. Of this \$2.4 million ADP, \$1.0 million was a transfer from the District’s California Employers’ Pension Prefunding Trust (“CEPPT”), to which the District contributed \$0.50 million in FY 2022-23. The CEPPT is an IRC Section115 trust restricted for funding CalPERS pension obligations. See further information on the District’s Defined Benefit Pension Plan at Note 5 of the financial statements.

TRUCKEE SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023 AND 2022

FINANCIAL STATEMENTS (Continued)

The District elects to pay retiree health premiums and fund a retirement health trust. In FY 2022-23, the District paid \$0.56 million in retiree health premiums, which included contributions of \$0.30 million into the District's California Employers' Retiree Benefit Trust ("CERBT") account. The plan's assets were valued at \$6.76 million on June 30, 2023. As of the latest GASB 75 Other Post-Employment Benefit Report ("OPEB"), the District was 85% funded, short of the 90% funding status goal set by the District's Board of Directors' Reserve Fund Policy. See further information on the District's Other Post-Employment Benefit at Note 6 of the financial statements.

Cash flows from Non-Capital Financing Activities increased by 15.2% during FY 2022-23 from FY 2021-22. This \$1.0 million increase is primarily attributed to a \$0.80 million increase in property tax revenue, and an increase of \$0.17 million in customer deposits.

During FY 2022-23 cash used for capital acquisitions included the following:

- Corporate yard paving project;
- Lift station upgrades/pump replacements;
- Lift station drywell cathodic protection coating;
- Telephone system replacement;
- Copier replacements.

Cash provided from investments came from multiple sources in FY 2022-23. Historically, the District has held the majority of its cash reserves in the California Local Agency Investment Fund (LAIF) with dwindling interest yields (average yield of 0.371% in FY2021-22). With Board approval, in August, 2022, the District transferred \$9,000,000 from LAIF into a 6 month/3 year ladder of U.S. Treasuries with a yield return of 3.132% and in January, 2023, re-invested the first 6 month tier with the purchase of \$1.64 million of U.S. Securities with a yield return of 3.43%. Then, in February, 2023, with Board approval, the District transferred \$8.60 million from LAIF to CalClass, a JPA of the California Special District Association (CSDA), an alternative to LAIF for liquid and secure cash reserves. The CalClass effective interest yield in June, 2023 was approximately 5.23%.

For information regarding carrying vs. market values for U.S. Treasuries, CalClass and LAIF see Note 2B of the financial statements.

Investment income from CEPPT increased by \$0.14 million (\$-.09 million in FY2021-22 to \$0.05 million in FY2022-23).

The District ended the fiscal year with \$18.7 million in Cash and Cash Equivalents.

CAPITAL ASSETS

Fixed assets, net of depreciation on a historic cost basis for the year ending June 30, 2023 total \$47.4 million compared to \$49.5 million at June 30, 2022, a decrease of \$2.1 million.

Additions of capital assets of \$0.19 million included \$0.16 million in dedicated sewer pipes and \$0.03 million for completion of repaving the District's corporate yard.

TRUCKEE SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023 AND 2022

Depreciation for fiscal year ending June 30, 2023 totaled \$2.10 million, same as the prior fiscal year..

Further information regarding capital assets can be found in Note 4 of the financial statements.

DEBT ADMINISTRATION

The District remains debt free, thus no debt-related activities are included in the accompanying financial statements.

BUDGET ANALYSIS

The District prepares an annual budget for operating and capital activities each year. The final budget for FY 2022-23 was approved by the Board of Directors on June 16, 2022.

Table 4 summarizes the budget and actual revenues and expenses for FY 2022-23:

TABLE 4

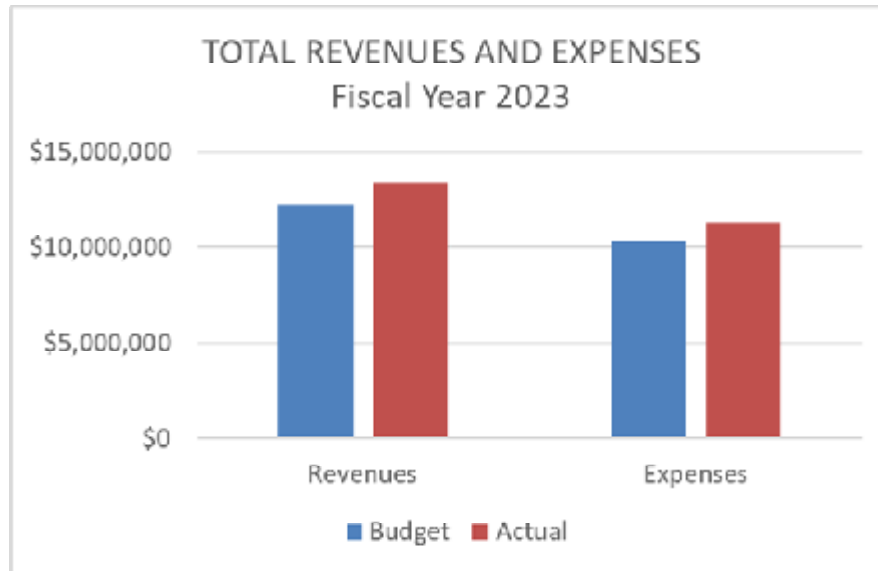
	Summary of Fiscal Year 2023 Budget			
	FY23 Budget	FY23 Actual	Budget to Actual	
			\$	%
Revenues	\$ 12,200,000	\$ 13,395,000	\$ 1,195,000	8.92%
Expenses	10,300,000	11,322,000	1,022,000	9.03%
Excess Revenue over Expenses	<u>\$ 1,900,000</u>	<u>\$ 2,073,000</u>	<u>\$ 173,000</u>	<u>8.35%</u>

District revenues exceeded budgeted revenues by \$1.2 million (8.9%) for FY 2022-23. The primary sources of additional revenue came from higher than anticipated property tax revenues received from Nevada and Placer Counties and higher than anticipated interest earnings.

District expenses were \$1.0 million (-9.0%) over budgeted expenses for FY 2022-23. The primary source of expense overages were additional discretionary payments towards the District's CalPERS defined benefit pension plan liability.

TRUCKEE SANITARY DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023 AND 2022

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. In fact, the majority of the District’s operating revenues are collected as part of the property tax assessments. As such, the District is somewhat insulated from the immediate impacts of economic downturns such as recession or pandemic influences. 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.

Another source of District revenue includes connection fees. A hydraulic model for capacity analysis and planning completed in 2019 along with a connection fee study completed in 2021 underscored the necessity for future capital projects which resulted in the District increasing connection fees effective January 1, 2022 and again on January 1 2023. Connection fees increased from \$1,440 per equivalent dwelling unit (EDU) to \$1,650 per EDU effective January 1, 2023. The District does not anticipate any capital projects in the immediate future that would strain District reserves.

The District recently concluded a five-year increase in sewer rates which allowed for rates to adequately and equitably fund the operating (O&M) and capital needs of the District over the next 20 years. These rate increases, alongside increased user fee revenues resulting from new home construction resulted in no user fee increases in FY 2022-23.

TRUCKEE SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023 AND 2022

ECONOMIC FACTORS AND FUTURE BUDGET CONSIDERATIONS (Continued)

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 PEPRA employees, the rate of increase is anticipated to slow relative to prior years. In contrast with this anticipated pension savings/slowdown from the 2013 CalPERS PEPRA employee re-classification is the challenge of overall pension plan funding given that the valuation of the pension plan in any given year can result in increased (or decreased) District pension liabilities, depending on financial market fluctuations. The District anticipates experiencing a reduction in funded status for the CalPERS pension in FY 2023-2024 due to the preliminary information provided by CalPERS for the FY 2022-2023 valuation. There are several economic and demographic assumptions that can also influence the District's total pension assets and corresponding liabilities. The District Board has historically shown a strong commitment to making additional discretionary payments to reduce the District's long-term pension liability.

Another long-term labor-related budgetary consideration is the funding of retiree health premiums. The District has diligently funded the CERBT retiree trust fund and anticipates paying a portion of the retiree health premiums out of the CERBT trust fund in the very near future.

The District continues to look towards additional investment opportunities of cash not required for day-to-day operations. In August 2022, the District transferred \$9.0 million in investments from LAIF to U.S. Treasury Securities, representing an alternative investment strategy which has proven to earn substantially greater investment returns than keeping funds in LAIF. Additionally, the District transferred operating funds of \$8.6 million from LAIF into CalClass during FY 2022-23. The result was increased interest revenues as LAIF's 30-day yield on June 30, 2023 was 3.305% compared to a CalClass 30-day yield of 5.226% for the same time period. Additional information regarding the investment in U.S. Treasury Securities can be found in Footnote 2B.

BASIC FINANCIAL STATEMENTS

TRUCKEE SANITARY DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets		
Unrestricted Assets:		
Cash, cash equivalents, and investments	\$ 15,844,734	\$ 14,953,073
Accounts receivable	383,072	279,754
Interest receivable	29,198	25,203
Property taxes receivable	500,312	405,717
Fuel inventory	10,812	13,809
Prepaid expense	188,930	6,420
Total Unrestricted Assets	<u>16,957,058</u>	<u>15,683,976</u>
Restricted Assets:		
Cash, cash equivalents, and investments	2,824,429	2,993,764
Accounts receivable	5,840	11,112
Interest receivable	6,980	4,064
Total Restricted Assets	<u>2,837,249</u>	<u>3,008,940</u>
Non-Current Assets		
Capital assets, net of accumulated depreciation	<u>47,375,297</u>	<u>49,467,071</u>
Total Assets	<u>67,169,604</u>	<u>68,159,987</u>
Deferred Outflow of Resources:		
Pension related	7,247,518	2,520,105
OPEB related	2,025,444	801,984
Total Deferred Outflows of Resources	<u>9,272,962</u>	<u>3,322,089</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 76,442,566</u>	<u>\$ 71,482,076</u>

TRUCKEE SANITARY DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Current Liabilities		
Unrestricted Liabilities:		
Accounts payable	\$ 264,942	\$ 604,899
Accrued Payroll	231,633	217,750
Compensated absences payable	1,117,500	1,219,732
Customer deposit	486,675	432,116
Total Unrestricted Liabilities	<u>2,100,750</u>	<u>2,474,497</u>
Long-term liabilities:		
Trust fund payable - sewer assessment		
district maintenance fund	129,209	194,387
Net pension liability/ (asset)	4,463,616	(1,519,627)
Net OPEB liability/ (asset)	1,029,784	(160,281)
Total Long-term Liabilities	<u>5,622,609</u>	<u>(1,485,521)</u>
Total Liabilities	<u>7,723,359</u>	<u>988,976</u>
Deferred Inflows of Resources:		
Pension related	1,773,616	5,061,129
OPEB related	969,773	1,184,711
Total Deferred Inflows	<u>2,743,389</u>	<u>6,245,840</u>
Total Liabilities and Deferred Inflows of Resources	<u>10,466,748</u>	<u>7,234,816</u>
Net Position:		
Net invested in capital assets	47,375,297	49,467,071
Restricted for sewer assessment District 5 maintenance	129,209	194,387
Restricted for capital expansion	2,347,086	2,000,789
Restricted for pension expenditures	359,089	813,764
Unrestricted	<u>15,765,137</u>	<u>11,771,249</u>
Total Net Position	<u>65,975,818</u>	<u>64,247,260</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u><u>\$ 76,442,566</u></u>	<u><u>\$ 71,482,076</u></u>

TRUCKEE SANITARY DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION

FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<u>Operating Revenues:</u>		
Service charges	\$ 4,423,780	\$ 4,334,358
Inspection fees	<u>58,243</u>	<u>99,007</u>
Total operating revenues	<u>4,482,023</u>	<u>4,433,365</u>
<u>Operating Expenses:</u>		
Operations and maintenance	6,662,451	5,597,399
General and administration	3,050,125	2,336,869
Depreciation	<u>2,115,683</u>	<u>2,119,805</u>
Total operating expenses	<u>11,828,259</u>	<u>10,054,073</u>
Total operating income/(loss)	<u>(7,346,236)</u>	<u>(5,620,708)</u>
<u>Non-operating Revenues:</u>		
Property Taxes	7,868,133	7,021,143
Investment income, net	596,994	(248,829)
Rents and leases	4,482	4,230
Gain on sale of assets	-	163,230
Other income	<u>145,861</u>	<u>55,736</u>
Total non-operating revenues	<u>8,615,470</u>	<u>6,995,510</u>
Total income/(loss) before contributions	<u>1,269,234</u>	<u>1,374,802</u>
<u>Capital Contributions:</u>		
Dedicated land and improvements	161,564	-
Connection fees	<u>297,760</u>	<u>293,135</u>
Total capital contributions	<u>459,324</u>	<u>293,135</u>
Change in net position	<u>1,728,558</u>	<u>1,667,937</u>
Fund balances, July 1, 2022	<u>64,247,260</u>	<u>62,579,323</u>
Fund balances, June 30, 2023	<u><u>\$ 65,975,818</u></u>	<u><u>\$ 64,247,260</u></u>

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

TRUCKEE SANITARY DISTRICT**STATEMENT OF CASH FLOWS****FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022**

	2023	2022
Cash flows from operating activities:		
Cash receipts from customers	\$ 4,378,705	\$ 4,408,221
Payments to suppliers	(7,361,161)	(4,412,414)
Payments to employees	(4,691,533)	(4,231,689)
Other payments	(29,550)	(32,445)
Net cash provided (used) by operating activities	(7,703,539)	(4,268,327)
Cash flows from noncapital financing activities:		
Receipt of property taxes	7,773,538	6,982,985
Customer deposits	54,559	(110,941)
Other non-operating revenues	150,343	59,966
Decrease in trust payable	(65,178)	(61,310)
Net cash provided by noncapital financing activities	7,913,262	6,870,700
Cash flows from capital and related financing activities:		
Capital contributions	303,032	287,873
Acquisition of capital assets	(380,512)	(656,269)
Proceeds from sale of capital assets	-	163,230
Net cash provided (used) by capital and related financing activities	(77,480)	(205,166)
Cash flows from investing activities:		
Investment income received	590,083	(263,464)
Net cash provided (used) by investing activities	590,083	(263,464)
Increase (decrease) in cash and cash equivalents	722,326	2,133,743
Beginning cash and cash equivalents	17,946,837	15,813,094
Ending cash and cash equivalents	<u>\$ 18,669,163</u>	<u>\$ 17,946,837</u>
Cash and cash equivalents classified in the statement of net position:		
Cash and cash equivalents		
Unrestricted	15,844,734	\$ 14,953,073
Restricted	2,824,429	2,993,764
	<u>\$ 18,669,163</u>	<u>\$ 17,946,837</u>

TRUCKEE SANITARY DISTRICT

STATEMENT OF CASH FLOWS

FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Reconciliation of operating income (loss) to net cash provided (used)		
by operating activities:		
Operating income (loss)	\$ (7,346,236)	\$ (5,620,708)
Adjustments to reconcile operating income (loss) to		
net cash provided (used) by operating activities:		
Depreciation	2,115,683	2,119,805
Decrease (increase) in:		
Accounts receivable	(103,318)	(25,144)
Inventory	2,997	(3,115)
Prepaid expenses	(182,510)	3,001
Deferred outflows of resources	(5,950,873)	1,407,396
Non-cash expense of prior year CIP	153,167	-
Increase (decrease) in:		
Accounts payable	25,043	156,339
Compensated absences	(102,232)	138,712
Wages Payable	13,883	40,750
Deferred inflows of resources	(3,502,451)	5,560,677
Net pension liability	5,983,243	(6,941,680)
Net OPEB liability	<u>1,190,065</u>	<u>(1,104,360)</u>
Net cash provided (used) by operating activities	<u>\$ (7,703,539)</u>	<u>\$ (4,268,327)</u>
Schedule of noncash transactions:		
Capital contributed by developers, customers town of truckee		
and the state of California		
Contributions of capital to the District	\$ 464,596	\$ 287,873
Less - contributions of land and improvements	<u>(161,564)</u>	<u>-</u>
Cash provided by contributions	<u>\$ 303,032</u>	<u>\$ 287,873</u>
Capital asset acquisitions		
Acquisition of capital assets	\$ (15,512)	\$ (1,021,269)
Increase in payables	<u>(365,000)</u>	<u>365,000</u>
Cash used for capital asset acquisition	<u>\$ (380,512)</u>	<u>\$ (656,269)</u>
Increase (decrease) in Fair Market Value of Investments	<u>\$ 340,947</u>	<u>\$ (309,861)</u>

TRUCKEE SANITARY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION:

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. DESCRIPTION OF THE DISTRICT AND ORGANIZATION:

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.

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, 2023 and 2022.

TRUCKEE SANITARY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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

D. FINANCIAL STATEMENT PRESENTATION (Continued):

- 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 prior to the beginning of each fiscal year. District staff provides a monthly Fund and Cash report to the Board each month and reviews the report at each Board meeting.

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 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.

TRUCKEE SANITARY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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

J. CAPITAL ASSETS:

Capital assets are defined by the District as assets with an initial, individual cost exceeding \$15,000 with an estimated useful life of five years or greater. 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	5 - 10
Office Building	30
Sewage Collection Facilities:	
Automotive	5 - 10
Instruments	5 - 10
Other Equipment	5 - 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. 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, 2023 and 2022, accrued vacation and sick leave benefits totaled \$1,117,500 and \$1,219,732, respectively.

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.

TRUCKEE SANITARY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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

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.

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 2023, \$500,000 was invested into the Trust, with a \$1.0 million distribution made into the PERF. 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.

TRUCKEE SANITARY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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

O. BOARD – DESIGNATED NET POSITION (Continued):

The balance of the reserve as of June 30, 2023 and 2022 was \$4,475,798 and \$4,118,626, 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. 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, 2023 and 2022 the amount available in the unrestricted fund balance was \$9,810,047 and \$6,989,838, 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.

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.

TRUCKEE SANITARY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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

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. RECLASSIFICATION:

Certain amounts in the prior year financial statements have been reclassified for comparative purpose to conform to the presentations in the current year financial statements.

T. 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.

U. 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 THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS:

A. DEPOSITS AND CUSTODIAL CREDIT RISK:

As of June 30, 2023 and 2022 the carrying amounts of the District's deposits were \$57,460 and \$200,523, respectively. The bank balances were \$151,334 and \$144,179, respectively. As of June 30, 2023 and 2022, federal depository insurance (FDIC) covered \$250,000. As such, the District's cash balances did not exceed the FDIC limits as of June 30, 2023 and 2022, with no exposure 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 \$359,089 and \$813,764 as of June 30, 2023 and 2022, respectively. This restricted fund balance is included in the restricted cash and cash equivalent balance of the Statement of Net Position.

B. INVESTMENTS:

Investment Policy – The District's primary investment policy objectives, in priority order, are safety, liquidity and yield.

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, shares issued by a Joint Powers Authority, and the State's Local Agency Investment Fund (LAIF).

The District's Investment Policy, set by the Board of 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, California Cooperative Liquid Assets Securities System Local Agency (CalClass), 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, 2023 and 2022, the District had the following investments:

TRUCKEE SANITARY DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

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

B. INVESTMENTS (Continued):

	2023		2022	
	Carrying Amount	Market Value	Carrying Amount	Market Value
CalCLASS	\$ 9,199,911	\$ 9,197,870	\$ -	\$ -
Zions Bank	9,400,000	9,052,798	-	-
LAIF	1,417	1,395	17,154,125	16,932,000
CEPPT	359,089	359,089	813,764	813,764
Total	<u>\$ 18,960,417</u>	<u>\$ 18,611,152</u>	<u>\$ 17,967,889</u>	<u>\$ 17,745,764</u>

California Class

The District is a voluntary participant in the California Cooperative Liquid Assets Securities System (California CLASS) a Joint Powers Authority investment pool as set forth in Sect. 53601(p) of the California Government Code. The objective of the investment policy is security, liquidity and yield. CSDA invests in the California CLASS Prime Fund. The 30 day yield at June 30, 2023 was 5.2264% and the weighted average maturity was 44 days.

Local Agency Investment Fund (LAIF)

The District participates in an investment pool managed by the State of California titled Local Agency Investment Fund (LAIF), regulated by California Government Code Section 16429 under the oversight of the Treasurer of the state of California and the Pooled Money Investment Board. The State Treasurer's office pools these funds with those of other governmental agencies in the state and invests the cash. The fair value of the District's investment in this pool is reported in the accompanying financial statements based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The monies held in the pooled investment funds are not subject to categorization by risk category. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Funds are accessible and transferable to the master account within a twenty-four hours notice. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset backed securities, and floating rate securities issued by federal agencies, government-sponsored enterprises and corporations.

LAIF is administered by the State Treasurer. This fund bore an average annual yield of approximately 2.17% for the fiscal year ended June 30, 2023. LAIF is currently unrated and has an average life of 260 days. Investments are audited annually by the Pooled Money Investment Board and the State Controller's Office. Copies of this audit may be obtained from the State Treasurer's Office; 915 Capitol Mall; Sacramento, California 95814. The Pooled Money Investment Board has established policies, goals, and objectives to make certain that their goal of safety, liquidity, and yield are not jeopardized.

TRUCKEE SANITARY DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

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

Structured notes and asset-backed securities comprised 2.78% and 1.88% of LAIF's total portfolio for all investors as of June 30, 2023 and 2022, respectively. Fair value of a pool share was \$0.984828499 and \$.987125414 for those same periods. The cost value of a pool share was constant at \$1.00.

U.S. Securities:

Under provision of the District's investment policy, and per Board approval, the District invested \$9.0 million in U.S. Treasuries in FY 2022-23 using a 3 year/6 month ladder approach.

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>2023</u>	<u>2022</u>
Summary of Cash and Investment:		
Cash on hand	\$ 550	\$ 550
Cash in Bank	57,461	200,523
Total Cash	<u>58,011</u>	<u>201,073</u>
Investment - CalCLASS	9,199,911	-
FMV Adjustment - CalCLASS	(2,041)	-
Investment - US Treasury Securities	9,217,334	-
FMV Adjustment - US Treasury Securities	(164,536)	-
Investment - LAIF	1,417	17,154,125
FMV Adjustment - LAIF	(22)	(222,125)
Investment in CEPPT	359,089	813,764
Total Cash Equivalents and Investments	<u>18,611,152</u>	<u>17,745,764</u>
	<u>\$ 18,669,163</u>	<u>\$ 17,946,837</u>
Balance Sheet Classification:		
Cash and cash equivalent:		
Unrestricted	\$ 15,844,734	\$ 14,953,073
Restricted	2,824,429	2,993,764
	<u>\$ 18,669,163</u>	<u>\$ 17,946,837</u>

TRUCKEE SANITARY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

3. RESTRICTED ASSETS AND LIABILITIES:

Restricted and designated assets and liabilities as of June 30, 2023 are identified by use as follows:

	Sewer Assessment District 5 Maintenance	Capital Expenditures	CEPPT	Total
Restricted Assets:				
Cash and cash equivalent	\$ 128,597	\$ 2,336,743	\$ 359,089	\$ 2,824,429
Interest receivable	612	6,368	-	6,980
Accounts receivable	-	5,840	-	5,840
Total Restricted Assets	\$ 129,209	\$ 2,348,951	\$ 359,089	\$ 2,837,249
Restricted Liabilities:	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	1,865	-	1,865
Total Restricted Liabilities	\$ -	\$ 1,865	\$ -	\$ 1,865
Total Restricted Fund Balances	\$ 129,209	\$ 2,347,086	\$ 359,089	\$ 2,835,384

Restricted and designated assets as of June 30, 2022 are identified by use as follows:

	Sewer Assessment District 5 Maintenance	Capital Expenditures	CEPPT	Total
Restricted Assets:				
Cash and cash equivalent	\$ 194,000	\$ 1,986,000	\$ 813,764	\$ 2,993,764
Interest receivable	387	3,677	-	4,064
Accounts receivable	-	11,112	-	11,112
Total Restricted	\$ 194,387	\$ 2,000,789	\$ 813,764	\$ 3,008,940
Restricted Liabilities:	\$ -	\$ -	\$ -	\$ -
Total Restricted	\$ -	\$ -	\$ -	\$ -
Total Fund Balances	\$ 194,387	\$ 2,000,789	\$ 813,764	\$ 3,008,940

TRUCKEE SANITARY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

4. CAPITAL ASSETS:

Capital asset activity for the fiscal year ended June 30, 2023 was as follows:

	Balance July 1, 2022	Transfers	Additions	Deletions	Balance June 30, 2023
Capital assets not being depreciated:					
Land and easements	\$ 754,427	\$ -	\$ -	\$ -	\$ 754,427
Construction in progress	521,142	(340,000)	8,794	(178,167)	11,769
Total capital assets not being depreciated	1,275,569	(340,000)	8,794	(178,167)	766,196
Capital assets being depreciated:					
Sewage collection facilities	82,079,602	-	161,565	-	82,241,167
Administrative facilities	9,983,830	340,000	31,718	-	10,355,548
General plant and administrative equipment	5,801,146	-	-	-	5,801,146
Total capital assets being depreciated	97,864,578	340,000	193,283	-	98,397,861
Less accumulated depreciation:					
Sewage collection facilities	39,783,272	-	1,522,256	-	41,305,528
Administrative facilities	5,745,235	-	309,433	-	6,054,668
General plant and administrative equipment	4,144,569	-	283,995	-	4,428,564
Total accumulated depreciation	49,673,076	-	2,115,684	-	51,788,760
Total capital assets, net of depreciation	\$49,467,071	\$ -	\$ (1,913,607)	\$ (178,167)	\$47,375,297

Capital asset activity for the fiscal year ended June 30, 2022 was as follows:

	Balance July 1, 2021	Transfers	Additions	Deletions	Balance June 30, 2022
Capital assets not being depreciated:					
Land and easements	\$ 754,427	\$ -	\$ -	\$ -	\$ 754,427
Construction in progress	-	-	521,142	-	521,142
Total capital assets not being depreciated	754,427	-	521,142	-	1,275,569
Capital assets being depreciated:					
Sewage collection facilities	82,079,602	-	-	-	82,079,602
Administrative facilities	9,983,830	-	-	-	9,983,830
General plant and administrative equipment	5,913,379	-	500,127	612,360	5,801,146
Total capital assets being depreciated	97,976,811	-	500,127	612,360	97,864,578
Less accumulated depreciation:					
Sewage collection facilities	38,251,932	-	1,531,340	-	39,783,272
Administrative facilities	5,453,307	-	291,928	-	5,745,235
General plant and administrative equipment	4,460,391	-	296,538	612,360	4,144,569
Total accumulated depreciation	48,165,630	-	2,119,806	612,360	49,673,076
Total capital assets, net of depreciation	\$50,565,608	\$ -	\$ (1,098,537)	\$ -	\$49,467,071

TRUCKEE SANITARY DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

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 Annual Comprehensive 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, 2023 and 2022 are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2.7% @ 55	2% @ 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:		
June 30, 2023	7.956%	6.750%
June 30, 2022	7.956%	6.750%
Required employer contribution rates:		
June 30, 2023	13.350%	7.470%
June 30, 2022	13.350%	7.590%

TRUCKEE SANITARY DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

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 fiscal years ended June 30, 2023 and 2022 were as follows:

	Miscellaneous	
	2023	2022
Miscellaneous Risk Pool	\$ 3,275,367	\$ 767,246

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions - As of June 30, 2023 and 2022 the Truckee Sanitary District reported net pension liabilities for its proportionate share of the net pension liability/ (asset) of \$4,463,616 and (\$1,519,627), respectively.

Truckee Sanitary District's net pension liability/ (asset) for the Plan is measured as the proportionate share of the net pension liability/ (asset). The net pension liability of the Plan is measured as of June 30, 2023, and the total pension liability/ (asset) for the Plan used to calculate the net pension liability/ (asset) was determined by an actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022 using standard update procedures. Truckee Sanitary District's proportion of the net pension liability/ (asset) was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability/ (asset) for the Plan as of June 30, 2022 was as follows:

Proportion - June 30, 2021 (Measurement Date)	-0.08003%
Proportion - June 30, 2022 (Measurement Date)	0.09539%
Change - Increase (Decrease)	0.17542%

The District's proportionate share of the net pension liability/ (asset) for the Plan as of June 30, 2021 was as follows:

Proportion - June 30, 2020 (Measurement Date)	0.12854%
Proportion - June 30, 2021 (Measurement Date)	-0.08003%
Change - Increase (Decrease)	-0.20857%

TRUCKEE SANITARY DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

5. DEFINED BENEFIT PENSION PLAN (Continued):

For the fiscal years ended June 30, 2023 and 2022, the District recognized pension expense of \$2,031,683 and \$815,028, respectively.

As of June 30, 2023, 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	\$ 3,275,367	\$ -
Difference between expected and actual experience	165,889	(112,164)
Changes in assumptions	854,537	-
Differences between employer contributions and proportionate share of contributions	777,180	(718,156)
Change in employer's proportion	494,796	(943,296)
Differences between projected and actual investment	1,679,749	-
Total	<u>\$ 7,247,518</u>	<u>\$ (1,773,616)</u>

It should be noted that a deferred outflow of \$3,275,367 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 fiscal year ending June 30, 2024. 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
2024	\$ 460,624
2025	424,794
2026	257,670
2027	1,055,447
Thereafter	-
Total	<u>\$ 2,198,535</u>

TRUCKEE SANITARY DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

5. DEFINED BENEFIT PENSION PLAN (Continued):

As of June 30, 2022, 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	\$ 767,246	\$ -
Difference between expected and actual experience	374,963	-
Changes in assumptions	-	-
Differences between employer contributions and proportionate share of contributions	1,377,896	-
Change in employer's proportion	-	(1,666,584)
Differences between projected and actual investment	-	(3,394,545)
Total	<u>\$ 2,520,105</u>	<u>\$ (5,061,129)</u>

It should be noted that a deferred outflow of \$767,246 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 current fiscal year. 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
2023	\$ (765,999)
2024	(787,051)
2025	(822,881)
2026	(932,338)
Thereafter	-
Total	<u>\$ (3,308,269)</u>

TRUCKEE SANITARY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

5. DEFINED BENEFIT PENSION PLAN (Continued):

Actuarial Assumptions - In the actuarial valuations for measurement periods June 30, 2022 and 2020, the total pension liabilities were determined using the following actuarial methods and assumptions:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry-Age Normal Cost
Actuarial Assumptions	
Discount Rate	6.90%
Inflation	2.30%
Payroll Growth Rate	2.75%
Projected Salary Increase ⁽¹⁾	Varies by Entry Age and Service
Investment Rate of Return ⁽²⁾	6.80%
Mortality Rate Table	Derived using CalERS' Membership Data for all Funds

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

⁽²⁾ Net of pension plan investment expenses.

All other actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Discount Rate - The discount rate used to measure the total pension liability was 6.90% for the plan. 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 6.90 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from the CalPERS website under the GASB 68 section.

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 6.80% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed 10 basis points. An investment return excluding administrative expenses would have been 6.90%. 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.

TRUCKEE SANITARY DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

5. DEFINED BENEFIT PENSION PLAN (Continued):

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.

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	Assumed Asset Allocation	Real Return Years 1 - 10 (1,2)
Global Equity - cap-weighted	30.0%	4.45%
Global Equity - non-cap-weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed Securities	5.0%	0.50%
Investment Grade Corporates	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real Assets	15.0%	3.21%
Leverage	-5.0%	-0.59%

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

(2) Figures are based on the 2021-22 Asset Liability Management Study

TRUCKEE SANITARY DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

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, 2023, the discount rate comparison was the following:

	Discount Rate - 1% 5.90%	Current Discount Rate 6.90%	Discount Rate + 1% 7.90%
Plan's Net Pension Liability/ (Assets)	\$ 9,674,783	\$ 4,463,616	\$ 176,119

As of June 30, 2022, the discount rate comparison was the following:

	Discount Rate - 1% 6.15%	Current Discount Rate 7.15%	Discount Rate + 1% 8.15%
Plan's Net Pension Liability/ (Assets)	\$ 3,134,657	\$ (1,519,627)	\$ (5,367,259)

Payable to the Pension Plan – The District had no outstanding amount of contributions to the pension plan required for the fiscal years ended June 30, 2023 and 2022.

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 R). 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 administrated 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.

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 Region 1 PERS Gold 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.

TRUCKEE SANITARY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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

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 Region 1 PERS Gold premium rate. 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).

Employees Covered - As of the June 30, 2022 actuarial valuation, the following current and former employees were covered by the benefit terms under the Plan:

Inactive employees or beneficiaries currently receiving benefit paymen	21
Inactive employees entitles to but not yet receiving benefit payments	-
Active employees	43
	<u>64</u>

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, 2023 and 2022 the District's contribution was \$563,071 and \$351,012, respectively. Employees are not required to contribute to the Plan.

Net OPEB Liability - The District's net OPEB liability was measured as of June 30, 2022, and 2021 and 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 total OPEB liability was measured as of June 30, 2022 and 2021 and the total OPEB liability used to calculate the net OPEB liability was determined by the actuarial valuation dated June 30, 2022. In the actuarial valuation for the measurement periods June 30, 2022 and 2021, the total OPEB liabilities were determined based on the following actuarial methods and assumptions:

TRUCKEE SANITARY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry Age
Discount Rate	6.75%
Inflation	2.50% per year
Trend	4.00% per year
Payroll Growth	2.75% per year
Investment Rate of Return ¹	6.75% per year net of expenses
Mortality Rate Table	2017 CalPERS Active and Retiree Mortality for Miscellaneous Employees
Pre-Retirement Turnover	2017 CalPERS' Turnover for Miscellaneous

¹ Net of expenses: Based on long-term return on plan assets assuming 100% funding through CERBT

All the actuarial assumptions, including updates to salary increases, mortality, and retirement rates, used in the June 30, 2022 valuation were based on the results of an actuarial experience study issued by the CalPERS Actuarial Office on January 2014 covering the 14-year period from 1997 to 2011.

The long-term expected rate of return on OPEB 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 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. Best estimates of arithmetic real rates of return for each major class included in the OPEB plan's target asset allocation as of June 30, 2023 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
All Equities	59%	7.55%
All Fixed Income	25%	4.25%
Real Estate Investment Trusts	8%	7.25%
All Commodities	3%	7.55%
Treasury Inflation-Protected Securities	5%	3.00%
Total	100%	

TRUCKEE SANITARY DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

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

Discount Rate - The discount rate used to measure the total OPEB liability was 6.75%. 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, 2021 and 2022:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability/ (Asset)
	(a)	(b)	(a) - (b)
Balances at June 30, 2021 (Measurement Date)	\$ 6,683,150	\$ 6,788,791	\$ (105,641)
Changes for the year:			
Service cost	236,320	-	236,320
Interest	449,832	-	449,832
Expected Investment Income	-	464,935	(464,935)
Employer Contributions to Trust	-	200,000	(200,000)
Employer Contributions as Benefit Payments	-	206,012	(206,012)
Actual Benefit Payments from Trust		-	-
Actual Benefit Payments from Employer	(206,012)	(206,012)	-
Expected Minus Actual Benefit Payments	(68,244)	-	(68,244)
Administrative expense	-	(1,728)	1,728
Experience Gains/Losses	-	-	-
Changes in Assumption	-	-	-
Investment Gains/Losses	-	(1,386,736)	1,386,736
Net changes	411,896	(723,529)	1,135,425
Balances at June 30, 2022 (Measurement Date)	\$ 7,095,046	\$ 6,065,262	\$ 1,029,784

TRUCKEE SANITARY DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

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

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/ (Asset) (a) - (b)
Balances at June 30, 2020	\$ 6,313,805	\$ 5,369,726	\$ 944,079
Changes for the year:			
Service cost	187,375	-	187,375
Interest	448,524	-	448,524
Expected Investment Income	-	373,885	(373,885)
Employer Contributions to Trust	-	-	-
Employer Contributions as Benefit Payments	-	184,996	(184,996)
Actual Benefit Payments from Trust		55,000	(55,000)
Actual Benefit Payments from Employer	(184,996)	(184,996)	-
Expected Minus Actual Benefit Payments	(9,499)	-	(9,499)
Administrative expense	-	(2,392)	2,392
Experience Gains/Losses	(332,085)	-	(332,085)
Changes in Assumption	315,026	-	315,026
Investment Gains/Losses	-	1,102,212	(1,102,212)
Net changes	424,345	1,528,705	(1,104,360)
Balances at June 30, 2021	\$ 6,738,150	\$ 6,898,431	\$ (160,281)

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, 2022 and 2021:

	June 30, 2023		
	1% Decrease (5.75%)	Discount Rate (6.75%)	1% Increase (7.75%)
Net OPEB liability/ (asset)	\$ 1,950,243	\$ 1,029,784	\$ 270,569

	June 30, 2022		
	1% Decrease (5.75%)	Discount Rate (6.75%)	1% Increase (7.75%)
Net OPEB liability/ (asset)	\$ 774,949	\$ (160,281)	\$ (831,209)

TRUCKEE SANITARY DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

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

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the net OPEB liability of the District if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates for measurement periods ended June 30, 2022 and 2021:

June 30, 2023			
	1 % Decrease (5.75 %)	Discount Rate (6.75 %)	1 % Increase (7.75 %)
Net OPEB liability/ (asset)	\$ 113,382	\$ 1,029,784	\$ 2,161,203
June 30, 2022			
	1 % Decrease (5.75 %)	Discount Rate (6.75 %)	1 % Increase (7.75 %)
Net OPEB liability/ (asset)	\$ (929,476)	\$ (160,281)	\$ 908,832

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 (\$248,334) and (\$262,939) for the fiscal years ended June 30, 2023 and 2022, 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, 2023, 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
Contributions subsequent to the measurement date	\$ 563,071	\$ -
Experience gains/loss	47,517	969,773
Changes in Assumption	229,882	-
Net difference between projected and actual earnings on OPEB plan investments	1,184,974	-
Total	\$ 2,025,444	\$ 969,773

TRUCKEE SANITARY DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

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

The amounts reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2024. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year ended June 30</u>	<u>Total Deferred Outflows/(Inflows) of Resources</u>
2024	\$ 99,467
2025	92,183
2026	58,035
2027	270,084
2028	(12,821)
Thereafter	(14,348)
Total	<u>\$ 492,600</u>

As of fiscal year ended June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Contributions subsequent to the measurement date	\$ 351,012	\$ -
Experience gains/loss	61,493	295,624
Changes in Assumption	272,454	-
Net difference between projected and actual earnings on OPEB plan investments	117,025	889,087
Total	<u>\$ 801,984</u>	<u>\$ 1,184,711</u>

TRUCKEE SANITARY DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

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

The amounts reported as deferred outflows of resources related to contributions subsequent to the measurement date was recognized as a reduction of the net pension liability in the current fiscal year. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year ended June 30</u>	<u>Total Deferred Outflows/(Inflows) of Resources</u>
2023	\$ (175,972)
2024	(168,658)
2025	(175,942)
2026	(210,090)
2027	1,963
Thereafter	(5,040)
Total	<u>\$ (733,739)</u>

Payable to the OPEB Plan – The District had no outstanding amount of contributions to the plan required for the fiscal year ended June 30, 2023.

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.

8. COMMITMENTS AND CONTINGENCIES:

The District did not enter into any new construction commitments for the fiscal year ended June 30, 2023. The District has no potential claim outstanding as of June 30, 2023.

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. For the fiscal years ended June 30, 2023 and 2022, the District paid \$73,337 and \$67,995, respectively, for insurance coverage under this agreement.

TRUCKEE SANITARY DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

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 \$26,171,134. 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 \$10,000,000, subject to a 5% deductible per building. The District also purchases property insurance covering \$97,000 for unscheduled contractor's equipment, \$122,494 for scheduled equipment, and \$100,000 for rented, leased or borrowed equipment.

The District purchases general liability and management liability insurance coverage up to policy term aggregate limits of \$10,000,000 each subject to various sub-policy limits, generally \$1,000,000 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 \$1,000,000 and commercial umbrella insurance or excess liability coverage up to a maximum of \$10,000,000. The umbrella coverage is in addition to the general liability, automobile liability, and management liability underlying coverages.

11. PROPERTY TAXES:

The District has a gross assessed valuation of \$8,302 and \$7,599 billion for the fiscal years ended June 30, 2023 and 2022. 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.

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 2022, submitted to DTSC in January 2023, 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, 2023 and 2022, the budgeted cost were \$8,000 and \$8,000, and the actual cost incurred were \$5,583 and \$5,264, respectively.

TRUCKEE SANITARY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

13. SUBSEQUENT EVENTS REVIEW:

District management has evaluated its June 30, 2023 financial statement for subsequent events through January 8, 2024, the date the financial statements were available to be issued. Management is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

**REQUIRED SUPPLEMENTARY
INFORMATION**

TRUCKEE SANITARY DISTRICT
SCHEDULE OF OPEB CONTRIBUTIONS
JUNE 30, 2023
LAST TEN YEARS*

	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022	Fiscal Year 2023
Actuarially determined contribution	\$ **	\$ **	\$ **	\$ **	\$ **	\$ **
Contributions in relation to the actuarially required contribution	<u>(303,054)</u>	<u>(440,289)</u>	<u>(331,260)</u>	<u>(239,636)</u>	<u>(351,012)</u>	<u>(563,071)</u>
Contribution deficiency (excess)	<u>\$ (303,054)</u>	<u>\$ (440,289)</u>	<u>\$ (331,260)</u>	<u>\$ (239,636)</u>	<u>\$ (351,012)</u>	<u>\$ (563,071)</u>
Covered-employee payroll	\$ 3,601,983	\$ 3,662,494	\$ 3,978,542	\$ 4,120,774	\$ 4,273,238	\$ 4,797,455
Contributions as a percentage of covered-employee payroll	8.41%	12.02%	8.33%	5.82%	8.21%	11.74%

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

** Contribution not provided by Actuary

TRUCKEE SANITARY DISTRICT

SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY AND RELATED RATIOS

JUNE 30, 2023

LAST TEN YEARS*

	Measurement Date June 30, 2017	Measurement Date June 30, 2018	Measurement Date June 30, 2019	Measurement Date June 30, 2020	Measurement Date June 30, 2021	Measurement Date June 30, 2022
Total OPEB liability						
Service cost	\$ 155,203	\$ 159,471	\$ 163,856	\$ 182,360	\$ 187,375	\$ 236,320
Interest	341,686	362,147	384,114	414,661	448,524	449,832
Differences between expected and actual experience	-	-	1,692	(276)	(9,499)	-
Changes of assumptions	-	-	-	-	315,026	-
Experience gains/losses	-	-	101,729	-	(332,085)	-
Benefit payments, including refunds of member contributions	(211,340)	(206,384)	(215,289)	(231,260)	(239,636)	(219,256)
Net change in total OPEB liability	285,549	315,234	436,102	365,485	369,705	466,896
Total OPEB liability - beginning	4,911,435	5,196,984	5,512,218	5,948,320	6,313,805	6,683,150
Total OPEB liability - ending (a)	\$ 5,196,984	\$ 5,512,218	\$ 5,948,320	\$ 6,313,805	\$ 6,683,510	\$ 7,150,046
Plan fiduciary net position						
Employer Contributions to Trust	\$ 274,038	\$ 100,000	\$ 225,000	\$ 100,000	\$ -	\$ 200,000
Employer Contributions as Benefit Payment	211,340	206,384	215,289	231,260	184,996	206,012
Actual Investment Income	379,263	-	-	-	-	-
Investment Gains/Losses	-	36,594	(36,436)	(170,755)	1,102,212	(1,386,736)
Expected Investment Income	-	293,460	327,635	359,272	373,885	464,935
Benefit Payments from Employer	(211,340)	(206,384)	(215,289)	(231,260)	(184,996)	(206,012)
Administrative expense	(1,924)	(7,699)	(983)	(2,493)	(2,032)	(1,728)
Net change in plan fiduciary net position	651,377	422,355	515,216	286,024	1,474,065	(723,529)
Plan fiduciary net position - beginning	3,494,754	4,146,131	4,568,486	5,083,702	5,369,726	6,843,791
Plan fiduciary net position - ending (b)	\$ 4,146,131	\$ 4,568,486	\$ 5,083,702	\$ 5,369,726	\$ 6,843,791	\$ 6,120,262
District's net OPEB liability/ (asset) - ending (a) - (b)	\$ 1,050,853	\$ 943,732	\$ 864,618	\$ 944,079	\$ (160,281)	\$ 1,029,784
Plan fiduciary net position as a percentage of the total OPEB liability/ (asset)	79.8%	82.9%	85.5%	85.0%	102.4%	85.6%
Covered-employee payroll	\$ 3,421,184	\$ 3,601,983	\$ 3,662,494	\$ 3,978,542	\$ 4,120,774	\$ 4,273,238
District's net OPEB liability as a percentage of covered-employee payroll	30.7%	26.2%	23.6%	23.7%	-3.9%	24.1%

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

TRUCKEE SANITARY DISTRICT

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

JUNE 30, 2023

	Measurement Date June 30, 2014 ⁽¹⁾	Measurement Date June 30, 2015 ⁽¹⁾	Measurement Date June 30, 2016 ⁽¹⁾	Measurement Date June 30, 2017 ⁽¹⁾	Measurement Date June 30, 2018 ⁽¹⁾	Measurement Date June 30, 2019 ⁽¹⁾	Measurement Date June 30, 2020 ⁽¹⁾	Measurement Date June 30, 2021 ⁽¹⁾	Measurement Date June 30, 2022 ⁽¹⁾
Plan's proportion of the net pension liability/ (asset)	0.056520%	0.065840%	0.068380%	0.069770%	0.059159%	0.051745%	0.04983%	-0.02810%	0.03864%
Proportionate share of the net pension liability/ (asset)	\$ 3,516,805	\$ 4,519,215	\$ 5,916,852	\$ 6,918,883	\$ 5,700,713	\$ 5,302,332	\$ 5,422,053	\$ (1,519,627)	\$ 4,463,616
Covered-employee payroll	\$ 3,107,042	\$ 3,032,804	\$ 2,978,692	\$ 3,421,184	\$ 3,601,983	\$ 3,662,494	\$ 3,978,542	\$ 4,120,774	\$ 4,273,238
Proportionate share of the net pension liability as percentage of covered-employee payroll	113.19%	149.01%	198.64%	202.24%	158.27%	144.77%	136.28%	-36.88%	104.46%
Plans fiduciary net position as a percentage of the total pension liability/ (asset)	83.03%	79.46%	75.92%	74.94%	80.52%	83.13%	83.75%	104.31%	90.49%

Notes to Schedule:

Changes of benefit terms – There were no changes to benefit terms that applied to all members of the Public Agency Pool during the measurement period of June 30, 2022. However, individual employers in the Plan may have provided a benefit improvement to their employees by granting two years additional service credit to members retiring during a specified time period (a.k.a. Golden Handshakes). Employers that have done so may need to report this information as a separate liability in their financial statement as CalPERS considers such amounts to be separately financed employer-specific liabilities. These employers should consult with their auditors.

Changes of assumption: The discount rate was decreased to 6.90% from 7.15%

* Fiscal Year 2015 was the first year of implementation, there only 9 years are shown.

⁽¹⁾ Historical information is required only for measurement periods for which GASB 68 is applicable.

TRUCKEE SANITARY DISTRICT

SCHEDULE OF PENSION CONTRIBUTIONS

JUNE 30, 2023

	Fiscal Year 2014-15 ⁽¹⁾	Fiscal Year 2015-16 ⁽¹⁾	Fiscal Year 2016-17 ⁽¹⁾	Fiscal Year 2017-18 ⁽¹⁾	Fiscal Year 2018-19 ⁽¹⁾	Fiscal Year 2019-20 ⁽¹⁾	Fiscal Year 2020-21 ⁽¹⁾	Fiscal Year 2021-22 ⁽¹⁾	Fiscal Year 2022-23 ⁽¹⁾
Actuarially determined contribution	\$ 493,224	\$ (549,492)	\$ 581,849	\$ 642,177	\$ 713,094	\$ 826,897	\$ 852,069	\$ 767,244	\$ 3,275,367
Contributions in relation to the actuarially determined contributions	(493,224)	549,492	(581,849)	(1,642,177)	(1,713,094)	(1,326,897)	(3,102,069)	(767,244)	(3,275,367)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,000,000)</u>	<u>\$ (1,000,000)</u>	<u>\$ (500,000)</u>	<u>\$ (2,250,000)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 3,032,804	\$ 2,978,692	\$ 3,421,184	\$ 3,601,983	\$ 3,662,494	\$ 3,978,542	\$ 4,120,774	\$ 4,273,235	\$ 4,797,455
Contributions as a percentage of covered-employee payroll	16.26%	18.45%	17.01%	45.59%	46.77%	33.35%	75.28%	17.95%	68.27%

* Fiscal Year 2015 was the first year of implementation, therefor only 9 years are shown.

⁽¹⁾ Historical information is required only for measurement periods for which GASB 68 is applicable.

TRUCKEE SANITARY DISTRICT

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2023

PURPOSE OF SCHEDULES

1. Schedule of OPEB Contribution

If an actuarially determined contribution is calculated for a single or agent employer, the employer is required to present in required supplementary information a schedule covering each of the 10 most recent fiscal years that includes information about the actuarially determined contribution, contributions to the OPEB plan, and related ratios. If a single or agent employer does not have information about an actuarially determined contribution but has a contribution requirement that is established by statute or contract, the employer is required to present a schedule covering each of the 10 most recent fiscal years that includes information about the statutorily or contractually required contribution rates, contributions to the OPEB plan, and related ratios.

2. Schedule of Changes in the District's Net OPEB Liability/ (Asset) and Related Ratios

GASB 75 requires presentation of the 10-year history of changes in the Net OPEB Liability. However, since this is the sixth year of implementation, only six years are currently available.

3. Schedule of District's Proportionate Share of Net Pension Liability/ (Asset)

This schedule presents information on the District's proportionate share of the net pension liability/asset (NPL), the plans' fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

4. Schedule of Pension Contribution

If an employer's contributions to the plan are actuarially determined or based on statutory or contractual requirements, the employer's actuarially determined contribution to the pension plan (or, if applicable, its statutorily or contractually required contribution), the employer's actual contributions, the difference between the actual and actuarially determined contributions (or statutorily or contractually required), and a ratio of the actual contributions divided by covered-employee payroll.

SUPPLEMENTARY INFORMATION

TRUCKEE SANITARY DISTRICT

STATEMENT OF REVENUES AND EXPENSES BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Account	Description	Budget (Original and Final)	Actual	Favorable/ (Unfavorable)
REVENUES				
Service Charges		\$ 4,380,000	\$ 4,423,800	\$ 43,800
Property Taxes		7,260,000	7,868,100	608,100
Connection Fees		290,000	297,800	7,800
Inspection Fees		75,000	58,200	(16,800)
Investment Gain / (Loss)		97,000	597,000	500,000
Rents & Leases		3,000	4,500	1,500
Gain on Sale of Assets		25,000	-	(25,000)
Other		70,000	145,900	75,900
	Total Revenues	12,200,000	13,395,300	1,195,300
EXPENSES				
Operations & Maintenance				
Salaries & Wages		3,451,100	3,220,600	230,500
Pension Benefits		1,167,700	2,137,800	(970,100)
Health & Other Benefits		730,200	693,200	37,000
Payroll Burden		320,900	311,800	9,100
Retiree Health/OPEB		258,800	399,400	(140,600)
Repairs & Maintenance		381,700	363,600	18,100
Utilities & Phone Services		174,300	195,700	(21,400)
Supplies - Operating & Safety		87,300	87,300	-
Fuel Expense		91,000	78,000	13,000
Outside Services		112,000	64,000	48,000
Travel/Training/Mtgs: Gen-Safety-EE Relations		45,700	36,800	8,900
Info Tech & Office Expenses		201,000	109,800	91,200
Dues, Subscriptions & Memberships		11,900	9,400	2,500
Uniforms, Linen & Safety Boots		29,700	18,800	10,900
Environmental Permits & Fees		35,000	28,900	6,100
Misc-Current YR		1,700	-	1,700
	Total Operatings & Maintenance	\$ 7,100,000	\$ 7,755,100	\$ (655,100)

TRUCKEE SANITARY DISTRICT

STATEMENT OF REVENUES AND EXPENSES BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

General and Administrative			
Salaries & Wages	\$ 1,450,200	\$ 1,412,100	\$ 38,100
Pension Benefits	402,700	819,400	(416,700)
Health & Other Benefits	377,200	370,300	6,900
Payroll Burden	100,300	104,900	(4,600)
Retiree Health/OPEB	106,200	163,600	(57,400)
Liability Insurance	210,000	200,700	9,300
Repairs & Maintenance	10,000	8,100	1,900
Utilities & Phone Services	14,000	16,300	(2,300)
Ad Valorem & Sewer Svc Billing Fees to Counties	155,000	149,100	5,900
Supplies - Operating & Safety	35,000	2,600	32,400
Fuel Expense	2,000	1,200	800
Outside Services	110,000	80,800	29,200
Legal Fees	40,000	61,700	(21,700)
Travel/Training/Mtgs: Gen-Safety-EE Relations	104,700	104,800	(100)
Info Tech & Office Expenses	15,000	15,600	(600)
Dues, Subscriptions & Memberships	25,000	27,200	(2,200)
Environmental Permits & Fees	-	-	-
LAFCO Expenses	10,000	8,600	1,400
Printing & Publications	30,000	20,000	10,000
Misc-Current YR	2,700	100	2,600
Total General & Administrative	3,200,000	3,567,100	(367,100)
Total Expenses	10,300,000	11,322,200	(1,022,348)
Revenues Less Expensese	\$ 1,900,000	\$ 2,073,100	\$ 173,100

TRUCKEE SANITARY DISTRICT

STATEMENT OF REVENUES AND EXPENSES

BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Expenses as shown on Statement of Revenues, Expenses and Changes in Net Positions			
	Operations & Maintenance	General and Administrative	Total
Total Expenses above	\$ 7,755,100	\$ 3,567,100	\$ 11,322,200
Adjustments			
Pension Expense due to GASB 68 Rollforward	(1,441,500)	(590,200)	(2,031,700)
OPEB Expense due to GASB 75 Rollforward	(176,200)	(72,100)	(248,300)
California Employers Pension Prefunding Trust (CEPPT) Contributions	354,700	145,300	500,000
Project Management & Administration Allocation	(29,100)	-	(29,100)
Total Adjustments	(1,292,100)	(517,000)	(1,809,100)
Total Fund 1 Expense	6,463,000	3,050,100	9,513,100
Fund 4 Expense	91,900	-	91,900
Fund 5 Expense	177,400	-	177,400
Fund 10 Expense	(69,900)	-	(69,900)
Total Expense	\$ 6,662,400	\$ 3,050,100	\$ 9,712,500

OTHER INDEPENDENT AUDITOR'S REPORT



James Marta & Company LLP

Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

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

Independent Auditor's Report

Board of Directors
Truckee Sanitary District
Truckee, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Truckee Sanitary District (the "District"), as of and for the fiscal years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 8, 2024.

Internal Control Over Financial Reporting

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

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

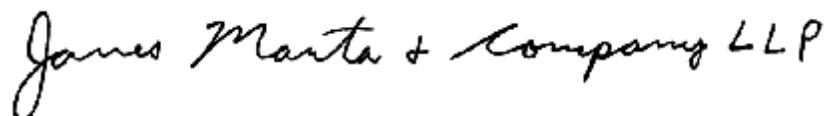
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. Given these limitation,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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Truckee Sanitary District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in black ink that reads "James Marta & Company LLP". The signature is written in a cursive, flowing style.

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
January 8, 2024