

TRUCKEE SANITARY DISTRICT

Financial Statements
Supplementary Information
&
Independent Auditor's Report

For the Fiscal Years Ended June 30, 2015 and 2014

A PUBLIC AGENCY

Truckee Sanitary District

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June 30, 2015 and 2014

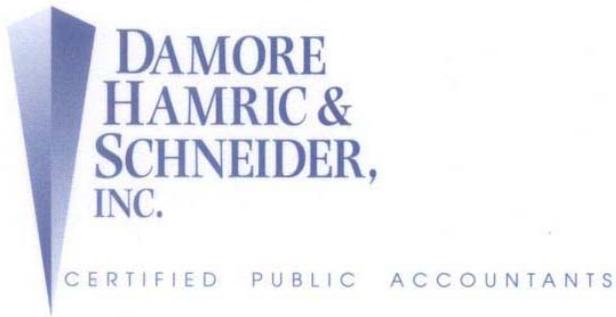
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Truckee Sanitary District
Truckee, California

We have audited the accompanying financial statements of the business-type activities of Truckee Sanitary District as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Truckee Sanitary District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Truckee Sanitary District as of June 30, 2015 and 2014, and the respective changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Change in Accounting Principle

As described in Note 14 to the basic financial statements, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, and No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*, for the year ended June 30, 2015. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 - 14 and the required supplementary information related to the pension and post-employment healthcare plans on pages 52 through 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Truckee Sanitary District's basic financial statements. The supplementary information contained in Schedule 1 is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to

the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Damore, Hamric + Schneider Inc

DAMORE, HAMRIC & SCHNEIDER, INC.

Certified Public Accountants

January 20, 2016

Truckee Sanitary District

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2015

The management of the 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, 2014 through June 30, 2015 (FY 2014-15). Questions regarding this document or the financial statements should be directed to Blake R. Tresan, General Manager, at:

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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 11,100 residential units and approximately 550 commercial accounts. Service is provided through approximately 208 miles of gravity mains, 15 miles of force mains, 181 miles of laterals and 42 lift stations.

The District is governed by a five-member Board of Directors elected at-large for staggered four-year terms. The Board of Directors set policy and procedures, which are then administered by the General Manager. The District as of June 30, 2015 has 32 full-time employees.

The Board of Directors sets all financial policies for the District. This includes establishing the annual budget for revenues and expenses, setting rates and charges, and directing the investment of District funds. The Board's Finance Committee reviews all payables and makes recommendations to the full Board for approval of payables.

The General Manager serves as District Treasurer.

Truckee Sanitary District

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2015

FINANCIAL HIGHLIGHTS

District Operating Revenue (comprised primarily of Service Charges) increased by 1% (\$0.03 million) when compared to FY 2013-14.

District Non-Operating Revenue (comprised primarily of Property Taxes) increased by 4% (\$0.2 million) when compared to FY 2013-14.

District Operating Expenses decreased by 1% (\$0.05 million) when compared to FY 2013-14.

The District's Total Net Position decreased by 7% (\$4.35 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 auditors 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 2014-15. 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 which provide context for the reader's consideration in evaluating the District's financial condition.

Truckee Sanitary District

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2015

FINANCIAL STATEMENTS

Net Position:

The District's Total Net Position (see page 9, Table 1, Net Position section) is the sum of: 1) Net Investment in Capital Assets, 2) Restricted Assets, and 3) Unrestricted Assets. Capital Assets include gravity pipelines, pump stations and force mains, operations and maintenance facilities, administrative facilities, equipment, and rolling stock. Net Capital Assets represent the net book value (cost less accumulated depreciation) of assets having an initial cost of \$5,000 or more, and an estimated useful life in excess of one year. The total Net Capital Assets at fiscal year end 2014-15 is \$51.5 million.

The portion of net position subject to legal restrictions is shown as Restricted Assets. The uses of these assets are: maintenance and reconstruction of the Martis Valley Interceptor pipeline, capacity expansion (funded by connection fees), and landfill monitoring. The total Restricted Net Position at fiscal year end 2014-15 is \$2.7 million.

Unrestricted Assets in Net Position are not legally restricted for specific uses. The Board has, by policy, designated uses of these assets as discussed in Note 1(P) of the financial statements. The total Unrestricted Net Position at fiscal year end 2014-15 is \$6.3 million.

The following Condensed Statement of Net Position shows the District's current financial position and compares resources and obligations at year-end for the District on June 30, 2015 and 2014.

Truckee Sanitary District

MANAGEMENT’S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2015

FINANCIAL STATEMENTS (Continued)

TABLE 1

Condensed Statement of Net Position as of June 30, 2015 and 2014

	Fiscal Year 2015	Fiscal Year 2014	Difference \$	Difference %
Current Assets	\$ 11,845,037	\$ 10,661,891	\$ 1,183,146	11%
Restricted Assets	3,314,665	3,282,242	32,423	1%
Net Capital Assets	51,499,852	52,721,259	(1,221,407)	-2%
Deferred Pension Outflows (Note 5)	484,647		484,647	100%
Total Assets and Deferred Outflows of Resources	\$ 67,144,201	\$ 66,665,392	\$ 478,809	1%
Current Liabilities (payable from Current Assets)	\$ 1,352,242	\$ 1,258,303	\$ 93,939	7%
Current Liabilities (payable from Restricted Assets)	68,702	1,081	67,621	6255%
Long-Term Liabilities	4,037,864	557,059	3,480,805	625%
Deferred Pension Inflows (Note 5)	1,188,644		1,188,644	100%
Total Liabilities and Deferred Inflows of Resources	\$ 6,647,452	\$ 1,816,443	\$ 4,831,009	266%
Net Position:				
Net Investment in Capital Assets	\$ 51,499,852	\$ 52,721,259	(\$ 1,221,407)	-2%
Restricted	2,724,904	2,724,099	805	0%
Unrestricted	6,271,993	9,403,591	(3,131,598)	-33%
Total Net Position	\$ 60,496,749	\$ 64,848,949	(\$ 4,352,200)	-7%

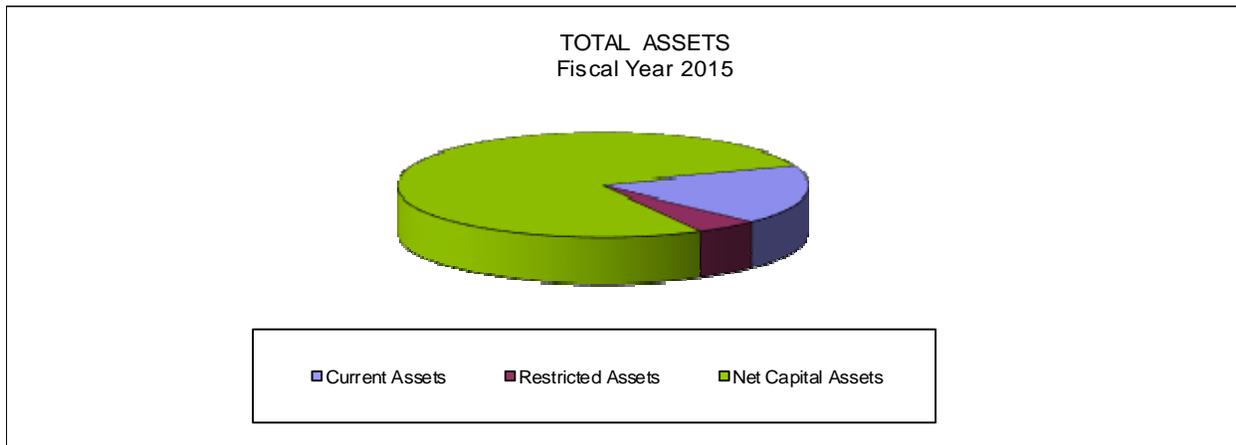


Table 1 shows the District’s Total Net Position was approximately \$60.5 million as of June 30, 2015. This represents a 7% decrease (\$4.4 million) from the close of the previous fiscal year. The majority of this decrease is attributed to compliance with GASB pronouncements 68 & 71, which prescribe the accounting and reporting of pension liabilities for governmental agencies. As a result of the adoption of GASB 68 reporting requirements, Long-Term Liabilities now includes a net pension liability of \$3,516,805. In addition, Deferred Pension Inflows of \$1,188,644 was recorded for FYE 2015.

Note 1(U), Note 5 and Note 14 of the financial statements provide additional information regarding these requirements.

Truckee Sanitary District

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2015

FINANCIAL STATEMENTS (Continued)

Revenues, Expenses and Changes in Net Position:

The Condensed Statement of Revenues, Expenses, and Change in Net Position (Table 2) shows the change in Net Position from the beginning to end of FY 2014-15 compared to FY 2013-14.

TABLE 2

Condensed Statement of Revenues, Expenses, and Changes in Net Position for the Years Ended June 30, 2015 and 2014

	2015	2014	Difference	Difference
			\$	%
Operating Revenues	\$ 2,695,736	\$ 2,667,331	\$ 28,405	1%
Non-Operating Revenues	4,628,384	4,459,070	169,314	4%
Total Revenues	\$ 7,324,120	\$ 7,126,401	\$ 197,719	3%
Operating Expenses	\$ 6,160,440	\$ 6,330,221	(\$ 169,781)	-3%
Operating Income Before Depreciation	\$ 1,163,680	\$ 796,180	\$ 367,500	46%
Depreciation Expense	\$ 2,160,932	\$ 2,043,286	\$ 117,646	6%
Net Loss Before Capital Contributions	(\$ 997,252)	(\$ 1,247,106)	\$ 249,854	-20%
Capital Contributions	957,048	884,152	72,896	8%
Change in Net Position	(\$ 40,204)	(\$ 362,954)	\$ 322,750	-89%
Net Position, Beginning of Year, before Restatement	\$ 64,848,949	\$ 65,211,903	\$ (362,954)	-1%
Prior Period Adjustment per Implementation of GASB 68 (Note 14)	4,311,996		4,311,996	100%
Net Position, Beginning of Year, after Restatement	\$ 60,536,953	\$ 65,211,903	(\$ 4,674,950)	- 7%
Ending Net Position	\$ 60,496,749	\$ 64,848,949	(\$ 4,352,200)	- 7%

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

Service charges account for most (97%) of the District's Operating Revenues. In FY 2014-15, the District received \$2.6 million in service charge revenue, up 2% from FY 2013-14. The change in service charge revenue is attributed solely to additional connections being served. The District has not increased the service charge rate since 1986.

Truckee Sanitary District

MANAGEMENT’S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2015

FINANCIAL STATEMENTS (Continued)

Similarly, property taxes account for most (98%) of the District’s Non-Operating Revenue. In FY 2014-15, the District received \$4.6 million in property tax revenue, up 5% from the previous fiscal year. The increased revenue is primarily attributed to the recovery of local real estate values and sales transaction volume returning to normal levels.

Total Expenses in FY 2014-15 were \$8.3 million, decreasing 1% from prior year. Approximately 26% (\$2.2 million) of the Operating Expenses can be attributed to the 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, 2015 (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, 2015 and 2014

	2015	2014	Difference	Difference
			\$	%
Net Cash Used by Operating Activities	(\$ 3,576,082)	(\$ 3,572,493)	(\$ 3,589)	0%
Net Cash Provided by Non-Capital Financing Activities	4,718,987	4,344,108	374,879	9%
Net Cash Provided/Used by Capital & Related Activities	85,144	(308,330)	393,474	-128%
Net Cash Provided by Investing Activities	<u>31,260</u>	<u>30,396</u>	<u>864</u>	3%
Net Increase in Cash and Cash Equivalents	\$ 1,259,310	\$ 493,681	\$ 765,629	155%
Cash and Cash Equivalents, Beginning of Year	<u>13,365,182</u>	<u>12,871,501</u>	<u>493,681</u>	4%
Cash and Cash Equivalents, End of Year	<u>\$ 14,624,492</u>	<u>\$ 13,365,182</u>	<u>\$ 1,259,310</u>	9%

Table 3 shows the District’s cash position improved 9% (\$1.3 million) from the beginning of the year to the end of the year of FY 2014-15. The increase in Cash and Cash Equivalents in FY 2014-15 from FY 2013-14 levels is principally due to increased receipts from property tax revenue during FY 2014-15.

Truckee Sanitary District

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2015

FINANCIAL STATEMENTS (Continued)

The District continues to fund the annual required contributions to the retirement health trust, as discussed in Note 6 of the financial statements. In FY 2014-15 the District paid \$0.3 million to the California Employers' Retiree Benefit Trust.

The cash flows from Non-Capital Financing Activities increased by 9% during FY 2014-15 from FY 2013-14. As mentioned previously, this is attributed to improved property tax revenue.

During FY 2014-15 cash used for capital acquisitions included the following: pipeline rehabilitation, collection system improvements, operating vehicles, and equipment. Uses of cash for rehabilitation work budgeted for FY 2014-15 was rescheduled to FY 2015-16.

Cash provided from investments came from returns on District funds held by the Local Agency Investment Fund (LAIF). The District keeps a significant portion of its cash on deposit with LAIF, which is managed by the California State Treasurer's Office. Net cash from investing activities improved slightly in FY 2014-15 from FY 2013-14, primarily due to additional cash provided by increased property tax revenue.

The District ended the fiscal year with \$14.6 million in Cash and Cash Equivalents.

CAPITAL ASSETS AND DEBT ADMINISTRATION

As discussed in Note 4 of the financial statements, the District's investment in capital assets at June 30, 2015 totaled \$88.2 million of non-depreciable and depreciable assets.

Non-depreciable assets of \$0.6 million:

Land, easements, and construction in progress.

Depreciable assets of \$ 87.6 million:

Sewage collection and administrative facilities, general and administrative equipment.

Total depreciation of \$2.2 million resulted in a Net Capital Asset value of \$51.5 million as of June 30, 2015 compared to \$52.7 million at fiscal year ending June 30, 2014, a decrease of \$1.2 million. The District continues to be debt-free, thus no debt-related activities are reported in the financial statements.

Truckee Sanitary District

MANAGEMENT’S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2015

BUDGET ANALYSIS

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

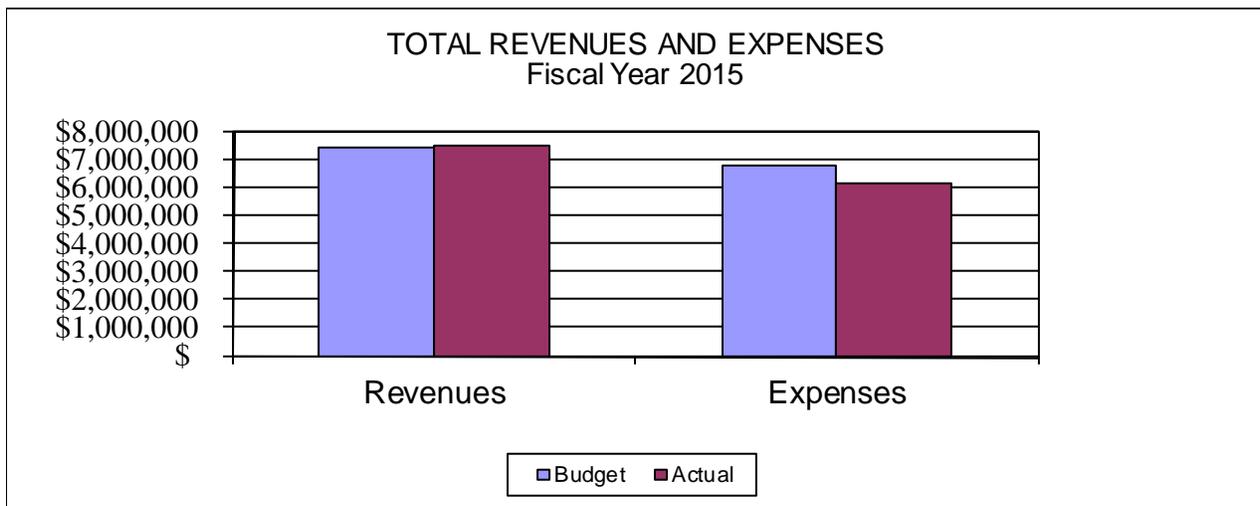
Table 4 summarizes the budget and actual revenues and expenses for FY 2014-15:

TABLE 4
Summary of Fiscal Year 2015 Budget

	FY 15	FY 15	Budget to Actual	
	Budget	Actual	\$	%
Revenues	\$ 7,444,600	\$ 7,496,676	\$ 52,076	1%
Expenses	\$ 6,765,000	\$ 6,160,440	\$ 604,560	9%
Excess Revenue Over Expenses	\$ 679,600	\$ 1,336,236	\$ 656,636	97%

It can be seen in Table 4 that the District received \$0.1 million more in revenue than was anticipated in the final FY 2014-15 budget. The main sources of additional revenue came from higher than anticipated tax distribution from Nevada and Placer County.

Total actual FY 2014-15 expenses were 9 % less than budgeted.



Truckee Sanitary District

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2015

ECONOMIC FACTORS AND FUTURE BUDGET CONSIDERATIONS

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

From an expense perspective, no significant capital projects are required in the immediate future that would strain District reserves. However, staff is assessing the long-term financial needs of asset replacement in an ongoing rate study. The District's operating expenses are primarily labor and labor-related. 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.

Truckee Sanitary District

STATEMENTS OF NET POSITION

June 30, 2015 and 2014

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

<u>Current Assets:</u>	<u>2015</u>	<u>2014</u>
Cash and Cash Equivalents	\$ 11,312,319	\$ 10,084,826
Accrued Interest Receivable	8,361	6,197
Accounts Receivable	149,574	195,126
Taxes Receivable	206,809	211,142
Parts and Supplies Inventory	138,055	148,722
Prepaid Expense	<u>29,920</u>	<u>15,878</u>
Total Current Assets	<u>\$ 11,845,037</u>	<u>\$ 10,661,891</u>
 <u>Restricted Assets:</u>		
Cash and Cash Equivalents	\$ 3,312,173	\$ 3,280,356
Accrued Interest Receivable	2,342	1,736
Accounts Receivable	<u>150</u>	<u>150</u>
Total Restricted Assets	<u>\$ 3,314,665</u>	<u>\$ 3,282,242</u>
Net Capital Assets	<u>\$ 51,499,852</u>	<u>\$ 52,721,259</u>
 <u>Deferred Outflows of Resources:</u>		
Deferred Pension Outflows (Note 5)	<u>\$ 484,647</u>	<u>\$</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$ 67,144,201</u></u>	<u><u>\$ 66,665,392</u></u>

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

Truckee Sanitary District

STATEMENTS OF NET POSITION

June 30, 2015 and 2014

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

<u>Current Liabilities (Payable from Current Assets):</u>	<u>2015</u>	<u>2014</u>
Accounts Payable	\$ 57,330	\$ 81,812
Accrued Payroll Deductions	198,821	198,760
Compensated Absences Payable	693,925	731,865
Customer Deposits	<u>402,166</u>	<u>245,866</u>
Total Current Liabilities (Payable from Current Assets)	<u>\$ 1,352,242</u>	<u>\$ 1,258,303</u>
<u>Current Liabilities (Payable from Restricted Assets):</u>		
Accounts Payable	<u>\$ 68,702</u>	<u>\$ 1,081</u>
Total Current Liabilities (Payable from Restricted Assets)	<u>\$ 68,702</u>	<u>\$ 1,081</u>
Total Current Liabilities	<u>\$ 1,420,944</u>	<u>\$ 1,259,384</u>
<u>Long-Term Liabilities:</u>		
Trust Fund Payable - Sewer Assessment Districts Maintenance Fund	\$ 521,059	\$ 557,059
Net Pension Liability (Note 5)	<u>3,516,805</u>	<u> </u>
Total Long-Term Liabilities	<u>\$ 4,037,864</u>	<u>\$ 557,059</u>
<u>Deferred Inflows of Resources:</u>		
Deferred Pension Inflows (Note 5)	<u>\$ 1,188,644</u>	<u> </u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 6,647,452</u>	<u>\$ 1,816,443</u>
<u>Net Position:</u>		
Net Investment in Capital Assets	\$ 51,499,852	\$ 52,721,259
Restricted for Martis Valley Interceptor Maintenance	152,432	177,642
Restricted for Capital Expense	2,572,472	2,472,966
Restricted for Landfill Cleanup		73,491
Unrestricted	<u>6,271,993</u>	<u>9,403,591</u>
Total Net Position	<u>\$ 60,496,749</u>	<u>\$ 64,848,949</u>
Total Liabilities, Deferred inflows of Resources and Net Position	<u>\$ 67,144,201</u>	<u>\$ 66,665,392</u>

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

Truckee Sanitary District

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Fiscal Years Ended June 30, 2015 and 2014

<u>Operating Revenues:</u>	<u>2015</u>	<u>2014</u>
Service Charges	\$ 2,617,993	\$ 2,571,552
Inspection and Cancellation Fees	57,603	62,923
Other Services	<u>20,140</u>	<u>32,856</u>
Total Operating Revenue	<u>\$ 2,695,736</u>	<u>\$ 2,667,331</u>
<u>Operating Expenses:</u>		
Operations and Maintenance	\$ 3,998,157	\$ 4,209,800
Administrative and General	2,162,283	2,120,421
Depreciation	<u>2,160,932</u>	<u>2,043,286</u>
Total Operating Expenses	<u>\$ 8,321,372</u>	<u>\$ 8,373,507</u>
Operating Loss	<u>(\$ 5,625,636)</u>	<u>(\$ 5,706,176)</u>
<u>Non-Operating Revenues:</u>		
Tax Revenue	\$ 4,550,079	\$ 4,344,098
Interest Earned	34,030	29,740
Rents and Leases	10,594	12,870
Other Revenue	<u>33,681</u>	<u>72,362</u>
Total Non-Operating Revenue	<u>\$ 4,628,384</u>	<u>\$ 4,459,070</u>
Net Loss before Contributions	<u>(\$ 997,252)</u>	<u>(\$ 1,247,106)</u>
<u>Capital Contributions:</u>		
Dedicated Land and Improvements	\$ 784,492	\$ 722,781
Connection Fees	<u>172,556</u>	<u>161,371</u>
	<u>\$ 957,048</u>	<u>\$ 884,152</u>
Change in Net Position	<u>(\$ 40,204)</u>	<u>(\$ 362,954)</u>
Net Position, Beginning of Year, before Restatement	\$ 64,848,949	\$ 65,211,903
Prior Period Adjustment per Implementation of GASB 68 (Note 14)	<u>4,311,996</u>	<u> </u>
Net Position, Beginning of Year, after Restatement	<u>\$ 60,536,953</u>	<u>\$ 65,211,903</u>
Net Position, End of Year	<u>\$ 60,496,749</u>	<u>\$ 64,848,949</u>

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

Truckee Sanitary District

STATEMENTS OF CASH FLOWS

For the Fiscal Years Ended June 30, 2015 and 2014

<u>Cash Flows From Operating Activities:</u>	<u>2015</u>	<u>2014</u>
Receipts from Customers	\$ 2,741,290	\$ 2,645,940
Payments to Suppliers	(3,300,258)	(3,174,695)
Payments to Employees	(2,996,884)	(3,025,728)
Other Payments	(20,230)	(18,010)
Net Cash Used by Operating Activities	<u>(\$ 3,576,082)</u>	<u>(\$ 3,572,493)</u>
<u>Cash Flows From Non-Capital Financing Activities:</u>		
Taxes Collected	\$ 4,554,412	\$ 4,329,520
Customer Deposits	156,300	(36,277)
Other Non-Operating Revenues	44,275	85,232
Decrease in Trust Funds Payable	(36,000)	(34,367)
Net Cash Provided by Non-Capital Financing Activities	<u>\$ 4,718,987</u>	<u>\$ 4,344,108</u>
<u>Cash Flows From Capital and Related Financing Activities:</u>		
Capital Contributions	\$ 172,556	\$ 161,371
Acquisition of Capital Assets	(87,412)	(469,701)
Net Cash Provided/(Used) by Capital and Related Financing Activities	<u>\$ 85,144</u>	<u>(\$ 308,330)</u>
<u>Cash Flows From Investing Activities:</u>		
Interest Received on Investments	<u>\$ 31,260</u>	<u>\$ 30,396</u>
Net Cash Provided by Investing Activities	<u>\$ 31,260</u>	<u>\$ 30,396</u>
Net Increase in Cash and Cash Equivalents	\$ 1,259,310	\$ 493,681
Cash and Cash Equivalents, Beginning of Year	<u>13,365,182</u>	<u>12,871,501</u>
Cash and Cash Equivalents, End of Year	<u>\$ 14,624,492</u>	<u>\$ 13,365,182</u>

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

Truckee Sanitary District

STATEMENTS OF CASH FLOWS

For the Fiscal Years Ended June 30, 2015 and 2014

<u>Cash and Cash Equivalents Classified in the Balance Sheet:</u>	<u>2015</u>	<u>2014</u>
Cash and Cash Equivalents:		
Unrestricted	\$ 11,312,319	\$ 10,084,826
Restricted	<u>3,312,173</u>	<u>3,280,356</u>
	<u>\$ 14,624,492</u>	<u>\$ 13,365,182</u>
<u>Reconciliation of Operating Loss</u>		
<u>to Net Cash Used by Operating Activities:</u>		
Operating Loss	(\$ 5,625,636)	(\$ 5,706,176)
Adjustments to Reconcile Operating Loss		
to Net Cash Used for Operating Activities:		
Depreciation	2,160,932	2,043,286
Changes in Assets, Deferred Outflows of Resources,		
Liabilities and Deferred Inflows of Resources		
(Increase) Decrease in:		
Accounts Receivable	45,552 (21,391)
Inventories	10,667	1,643
Changes in Deferred Outflows of Resources	(91,194)	
Prepaid Expenses	(14,042)	14,501
Increase (Decrease) in:		
Accounts Payable	(24,482)	33,615
Accrued Compensated Absences	(37,940)	26,377
Accrued Payroll Deductions	<u>61</u>	<u>35,652</u>
Total Adjustments	<u>\$ 2,049,554</u>	<u>\$ 2,133,683</u>
Net Cash Used by Operating Activities	<u>(\$ 3,576,082)</u>	<u>(\$ 3,572,493)</u>

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

Truckee Sanitary District

STATEMENTS OF CASH FLOWS

For the Fiscal Years Ended June 30, 2015 and 2014

<u>Noncash Transactions:</u>	<u>2015</u>	<u>2014</u>
Increase in Net Pension Liability	\$ 3,516,805	\$
Deferred Pension Inflows	1,188,644	
Deferred Pension Outflows	(484,647)	
Pension Expense	91,194	
	<u> </u>	<u> </u>
Prior Period Adjustment (Note 14)	\$ 4,311,996	\$ 0
	<u> </u>	<u> </u>
<u>Capital Contributed by Developers, Customers, Town of Truckee, and the State of California:</u>		
Contributions of Capital to the District	\$ 957,048	\$ 884,152
Less - Contributions of Land and Improvements	(784,492)	(722,781)
	<u> </u>	<u> </u>
Cash Provided by Contributions	\$ 172,556	\$ 161,371
	<u> </u>	<u> </u>
<u>Capital Asset Acquisition:</u>		
Acquisition of Capital Assets	(\$ 155,033)	(\$ 420,121)
Increase/(Decrease) in Payables	67,621	(49,580)
	<u> </u>	<u> </u>
Cash Used for Capital Asset Acquisitions	(\$ 87,412)	(\$ 469,701)
	<u> </u>	<u> </u>

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

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

A. Organization and Description of the District:

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

B. Description of the Reporting Entity:

The District is governed locally by a five-member elected Board of Directors. The Board is responsible for setting policy and general administrative procedures for the District. The policies and procedures set by the Board are then administered by the General Manager of the District.

C. Accounting Policies:

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

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

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

Future Accounting Pronouncements – See Note 1. V. for future accounting pronouncements to be implemented in future financial statements.

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

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

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

- *Net Investment in Capital Assets* - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investments in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds. The District had no related debt of as of June 30, 2015 and 2014.
- *Restricted* - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted* - This component of net position consists of equity that does not meet the definition of "restricted" or "net investment in capital assets."

E. Budgetary Control:

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

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

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

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, Certificates of Deposit and Savings:

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.

H. Investments:

Investments in equity securities with readily determinable fair values, external investment pools, open-end mutual funds, and debt securities are valued at their fair values in the balance sheet. Unrealized gains and losses are included in the statement of revenues, expenses, and changes in net assets. (See Note 2B for additional disclosure of District investments.)

I. Accounts Receivable:

The accounts receivable consist 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.

J. 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 FINANCIAL STATEMENTS

June 30, 2015 and 2014

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

K. Capital Assets:

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

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

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

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

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

L. 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. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits. However, a

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

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

L. Compensated Absences (Continued):

liability is recognized for that portion of accumulating sick leave benefits that is eligible for payment at termination or retirement. As of June 30, 2015 and 2014, accrued vacation and vested sick leave benefits totaled \$693,925 and \$731,865, respectively.

M. Revenue Recognition - Property Taxes:

Property taxes are attached as an enforceable lien on property as of March 1. Taxes are levied on November 1 and February 1 and are due and payable at that time.

N. 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.

O. Restricted Assets:

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

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.

Capital Expense - This reserve consists of connection fees and the earnings thereon and is restricted for the acquisition and/or construction of sewer infrastructure necessary to increase capacity for service.

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

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

O. Restricted Assets (Continued):

Martis Valley Interceptor Fund - This reserve ensures that Martis Valley Interceptor fees collected are used to provide adequate maintenance and reconstruction of the section of pipeline called Martis Valley Interceptor.

Landfill Cleanup Fund - This reserve consists of monies set aside to be used for the post-closure care costs for the Truckee burn dump site. For information about the site, see Note 12.

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.

P. Board Designated Net Position:

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

Major Improvements - This reserve was established to segregate excess administrative, maintenance, and operation funds to be used for the construction and acquisition of capital assets. The balance of the reserve as of June 30, 2015 and 2014 was \$4,514,858 and \$3,286,196, 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.

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

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

P. Board Designated Net Position (Continued):

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.

Q. 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.

R. Other Post-Employment Benefits Plan:

The District sponsors a prefunding benefits plan for other post-employment benefits. The plan covers all eligible full-time and part-time employees. For information about the benefits plan see Note 6.

S. Medical Benefits:

The District is contracted 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).

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

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

T. Reclassifications:

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

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

In June 2012, the GASB issued Statement No. 68-Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014, therefore, the District implemented this Statement in fiscal year ending June 30, 2015, which required a restatement to the District's financial statements. The financial statements for fiscal year ended June 30, 2014 could not be restated as the information required to do so was not readily available. See Note 5 for additional information.

In November 2013, the GASB issued Statement No. 71 – *Pension Transition for Contributions made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. The requirements of this Statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement 68 in the accrual-basis financial statements of employers and non-employer contributing entities. This benefit will be achieved without the imposition of significant additional costs. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014, therefore, the District implemented this Statement in fiscal year ended June 30, 2015, along with GASB 68 as discussed above.

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

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

V. Newly Issued Accounting Pronouncements, But Not Yet Effective:

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2015, that have effective dates that impact future financial presentations.

Governmental Accounting Standards Board Statement No. 72 - In February 2015, the GASB issued Statement No. 72 – *Fair Value Measurement and Application*. The objective of this Statement is to enhance comparability of financial statements among governments by measurement of certain assets and liabilities at their fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2015. The impact of the implementation of this Statement to the District’s financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 73 - In June 2015, the GASB issued Statement No. 73 – *Accounting and Financial Reporting for Pensions*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement establishes requirements for defined benefit pensions that are not within the Scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68 for pension plans as pensions that are within their respective scopes. The requirements of this statement that address accounting and financial reporting by employers and governmental non-employer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

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

V. Governmental Accounting Standards Board Statement No. 73 (Continued):

fiscal years beginning after June 15, 2016, and the requirements of this statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after December 15, 2015. The requirements of this Statement for pension plans that are within the scope of Statement No. 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 76 - In June 2015, the GASB issued Statement No. 76 – *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within the source of authoritative GAAP.

This Statement replaces the requirements of Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2015, and should be applied retroactively. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

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

V. Governmental Accounting Standards Board Statement No. 77 - In August 2015, the GASB issued Statement No. 77 – *Tax Abatement Disclosures*. The objective of this Statement is to improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Financial statement users need information about certain limitations on a government’s ability to raise resources. This includes limitations on revenue-raising capacity resulting from governmental programs that use tax abatements to induce behavior by individuals and entities that is beneficial to the government or its citizens. Tax abatements are widely used by state and local governments, particularly to encourage economic development. This Statement is effective for financial statements for periods beginning after December 15, 2015. It is believed that the implementation of this Statement will not have a material effect to the District’s financial statements.

W. Deferred Outflow/Deferred Inflow of Resources

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 recorded 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 in 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.

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 2 CASH AND CASH EQUIVALENTS AND INVESTMENTS:

A. Deposits and Custodial Credit Risk:

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover collateral securities that are in the possession of an outside party. 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).

At June 30, 2015 and 2014, the carrying amounts of the District's deposits were \$292,775 and \$129,529, respectively. The bank balances were \$316,804 and \$160,760, respectively. Of these amounts, \$250,000 and \$160,760 were covered by federal depository insurance. The remaining balance of \$66,760 was exposed to custodian credit risk with deposits uninsured and collateralized with securities held by the pledging financial institution or its agent but not in the District's name.

B. Investments:

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

The investment policy set by the directors of the District is more conservative than that set by state statute. The policy allows the District's treasurer to invest in U.S. Treasury Securities and the LAIF. These investments are included in cash as cash equivalents and are stated at fair value.

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

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

B. Investments (Continued):

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

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

	2015		2014	
	Carrying Amount	Market Value	Carrying Amount	Market Value
LAIF	<u>\$ 14,331,167</u>	<u>\$ 14,336,555</u>	<u>\$ 13,235,103</u>	<u>\$ 13,239,057</u>

Structured notes and asset-backed securities comprised 2.08% and 1.86% of LAIF's total portfolio for all investors as of June 30, 2015 and 2014, respectively. Fair value of a pool share was 1.000375979 and 1.00029875 for those same periods. The cost value of a pool share was constant at \$1.00.

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.

The District's LAIF investment is a governmental investment pool managed and directed by the California State Treasurer and is not registered with the Securities and Exchange Commission. An oversight committee comprised of California State officials and various participants provide oversight to management of the fund. The daily operations and responsibilities of LAIF fall under the auspices of the State Treasurer's office. The District is a voluntary participant in the investment pool.

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

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

C. Classification:

<u>Summary of Cash and Investments:</u>	<u>2015</u>	<u>2014</u>
Cash on Hand	\$ 550	\$ 550
Cash Deposits	292,775	129,529
Investments	<u>14,331,167</u>	<u>13,235,103</u>
	<u>\$ 14,624,492</u>	<u>\$ 13,365,182</u>

Balance Sheet Classification:

Cash and Cash Equivalents:		
Unrestricted (1)	\$ 11,312,319	\$ 10,084,826
Restricted	<u>3,312,173</u>	<u>3,280,356</u>
	<u>\$ 14,624,492</u>	<u>\$ 13,365,182</u>

(1) The Designated portion of unrestricted cash (see Note 1P) for major improvements and contingency reserve is \$7,514,858 and \$6,286,196 for 2015 and 2014, respectively.

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 3 RESTRICTED ASSETS:

Restricted and designated assets and related current liabilities as of June 30, 2015 are identified by use as follows:

	Sewer Assessment District 5 Maintenance Fund	Capital Expenses	Martis Valley Interceptor	Landfill Cleanup	Total
<u>Restricted Assets:</u>					
Cash and Cash Equivalents	\$ 520,687	\$ 2,639,164	\$ 152,322	\$	3,312,173
Accrued Interest Receivable	372	1,860	110		2,342
Accounts Receivable		150			150
Total Restricted Assets	<u>\$ 521,059</u>	<u>\$ 2,641,174</u>	<u>\$ 152,432</u>	<u>\$</u>	<u>\$ 3,314,665</u>
<u>Current Liabilities (Payable from Restricted Assets):</u>					
Accounts Payable	\$	\$ 68,702	\$	\$	\$ 68,702
Total Current Liabilities (Payable from Restricted Assets)	<u>\$ 0</u>	<u>\$ 68,702</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 68,702</u>

Restricted and designated assets and related current liabilities as of June 30, 2014 are identified by use as follows:

	Sewer Assessment District 5 Maintenance Fund	Capital Expenses	Martis Valley Interceptor	Landfill Cleanup	Total
<u>Restricted Assets:</u>					
Cash and Cash Equivalents	\$ 556,755	\$ 2,471,484	\$ 177,544	\$ 74,573	\$ 3,280,356
Accrued Interest Receivable	306	1,332	98		1,736
Accounts Receivable		150			150
Total Restricted Assets	<u>\$ 557,061</u>	<u>\$ 2,472,966</u>	<u>\$ 177,642</u>	<u>\$ 74,573</u>	<u>\$ 3,282,242</u>
<u>Current Liabilities (Payable from Restricted Assets):</u>					
Accounts Payable	\$	\$	\$	\$ 1,081	\$ 1,081
Total Current Liabilities (Payable from Restricted Assets)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,081</u>	<u>\$ 1,081</u>

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 4 CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Capital Assets not being Depreciated:</u>				
Land and Easements	\$ 578,599	\$	\$	\$ 578,599
Construction In Progress	<u>303,567</u>	<u>92,745</u>	<u>389,044</u>	<u>7,268</u>
Total Capital Assets not being Depreciated	\$ <u>882,166</u>	\$ <u>92,745</u>	\$ <u>389,044</u>	\$ <u>585,867</u>
<u>Capital Assets being Depreciated:</u>				
Sewage Collection Facilities	\$ 73,713,927	\$ 877,241	\$	\$ 74,591,168
Administrative Facilities	8,031,935	45,363		8,077,298
General Plant and Administrative Equipment	<u>4,646,796</u>	<u>313,220</u>		<u>4,960,016</u>
Total Capital Assets being Depreciated	\$ <u>86,392,658</u>	\$ <u>1,235,824</u>	\$	\$ <u>87,628,482</u>
Less Accumulated Depreciation for:				
Sewage Collection Facilities	\$ 27,861,237	\$ 1,521,933	\$	\$ 29,383,170
Administrative Facilities	3,540,145	272,300		3,812,445
General Plant and Administrative Equipment	<u>3,152,183</u>	<u>366,699</u>		<u>3,518,882</u>
Total Depreciation	\$ <u>34,553,565</u>	\$ <u>2,160,932</u>	\$	\$ <u>36,714,497</u>
Net Capital Assets	\$ <u>52,721,259</u>	(\$ <u>832,363</u>)	\$ <u>389,044</u>	\$ <u>51,499,852</u>

Capital asset activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Capital Assets not being Depreciated:</u>				
Land and Easements	\$ 578,599	\$	\$	\$ 578,599
Construction In Progress	<u>397,748</u>	<u>414,823</u>	<u>509,004</u>	<u>303,567</u>
Total Capital Assets not being Depreciated	\$ <u>976,347</u>	\$ <u>414,823</u>	\$ <u>509,004</u>	\$ <u>882,166</u>
<u>Capital Assets being Depreciated:</u>				
Sewage Collection Facilities	\$ 72,659,811	\$ 1,054,116	\$	\$ 73,713,927
Administrative Facilities	8,031,935			8,031,935
General Plant and Administrative Equipment	<u>4,463,828</u>	<u>182,968</u>		<u>4,646,796</u>
Total Capital Assets being Depreciated	\$ <u>85,155,574</u>	\$ <u>1,237,084</u>	\$	\$ <u>86,392,658</u>
Less Accumulated Depreciation for:				
Sewage Collection Facilities	\$ 26,326,396	\$ 1,534,841	\$	\$ 27,861,237
Administrative Facilities	3,268,382	271,763		3,540,145
General Plant and Administrative Equipment	<u>2,915,500</u>	<u>236,683</u>		<u>3,152,183</u>
Total Depreciation	\$ <u>32,510,278</u>	\$ <u>2,043,287</u>	\$	\$ <u>34,553,565</u>
Net Capital Assets	\$ <u>53,621,643</u>	(\$ <u>391,380</u>)	\$ <u>509,004</u>	\$ <u>52,721,259</u>

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 5 PENSION PLAN:

General Information about the Pension Plan:

Plan Description - All qualified full-time and probationary employees are eligible to participate in the District's Employee Pension Plan, a cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided - CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment.

Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments are applied as specified by the Public Employees' Retirement Law.

On September 12, 2012, the California Governor signed the California Public Employees' Pension Reform Act of 2013 (PEPRA) into law. PEPRA took effect January 1, 2013. The new legislation closed the District's CalPERS 2.7% at 55 Risk Pool Retirement Plan to new employee entrants effective December 31, 2012. For employees hired on or after January 1, 2013, who are current members of CalPERS or a reciprocal District as of December 31, 2012 and have not been separated from service from such District for more than six months, the retirement benefit is 2.7% @ 55 years of age; highest single year of compensation. All other employees hired on or after January 1, 2013, the retirement benefit is 2.0% @ 62 years of age; 3 year final compensation.

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 5 PENSION (Continued):

General Information about the Pension Plan (Continued):

The Plan's provisions and benefits in effect at June 30, 2015, are summarized as follows:

	<u>Miscellaneous</u>	
	<u>Prior to January 1, 2013</u>	<u>On or after January 1, 2013</u>
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 - 55	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	8%	6.25%
Required employer contribution rates	16.086%	6.25%

As of June 30, 2015, CalPERS did not prepare an actuarial report for the District's PEPRA tier. CalPERS made this determination because of the District not having PEPRA eligible employees between the period January 1, 2013 and June 30, 2013, the valuation date of the actuarial report provided.

Contribution Description - Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. For public District cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2015, the contributions recognized as part of pension expense for Plan were as follows:

	<u>Miscellaneous</u>
Contributions - employer	\$ 464,042
Contributions - employee (paid by employer)	<u>238,125</u>
Total employer paid contributions	<u>\$ 702,166</u>

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 5 PENSION (Continued):

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

As of June 30, 2015, the District reported net pension liability of \$3,516,805 for its proportionate share of the net pension liability. The District's net pension liability was measured as the proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures.

The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The individual employer rate plan's proportionate share percentage of the total pension liability and fiduciary net position as of June 30, 2013, was calculated by dividing the estimated amounts for each employer rate plan at June 30, 2013, by the collective amounts for the respective risk pool as of June 30, 2013. These rates were then applied to the respective risk pool's total pension liability and fiduciary net position as of June 30, 2014, to obtain each employer rate plan's total pension liability and fiduciary net position as of June 30, 2014. Each employer rate plan's fiduciary net position was then subtracted from its total pension liability to obtain the net pension liability as of the measurement date. The District's proportionate share percentage at the measurement date was calculated by dividing the District's net pension liability for each of its employer rate plans by the net pension liability as of the measurement date.

The District's proportionate share of the net pension liability as of June 30, 2013 and 2014 was as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2013 (Valuation Date)	0.06050%
Proportion - June 30, 2014 (Measurement Date)	<u>0.05652%</u>
Change - Increase (Decrease)	(<u>0.00398%</u>)

As a result of the implementation of the GASB 68 pronouncement at June 30, 2015, the District recognized pension expense of \$493,224 and \$0 at June 30, 2015 and 2014, respectively.

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 5 PENSION (Continued):

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

At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 484,647	\$
Differences between actual and expected experience:		
Changes in assumptions		
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions		
Net differences between projected and actual earnings on plan investments		(1,181,810)
Adjustment due to Differences in Proportions		(6,834)
Total	<u>\$ 484,647</u>	<u>(\$ 1,188,644)</u>

\$484,647 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Actuarially Determined Deferred Outflows/(Inflows) - Miscellaneous Plan</u>			
<u>Fiscal Year Ending June 30:</u>	<u>Adjustment Due to Differences in Proportions</u>	<u>Difference between Projected and Actual Earnings on Pension Plan Investments</u>	<u>Net, Deferred Outflow/(Inflows) of Resources</u>
2016	(\$ 2,441)	(\$ 295,452)	(\$ 297,893)
2017	(1,952)	(295,452)	(297,404)
2018		(295,454)	(295,454)
2019			
2020			
Thereafter			
Total	<u>(\$ 4,393)</u>	<u>(\$ 886,358)</u>	<u>(\$ 890,751)</u>

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 5 PENSION (Continued):

Actuarial Assumptions (Continued) – The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date (VD)	June 30, 2013
Measurement Date (MD)	June 30, 2014
Measurement Period (MP)	July 1, 2013 to June 30, 2014
Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return	7.5% ⁽²⁾
Mortality Rate Table ⁽¹⁾	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

⁽¹⁾ The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

⁽²⁾ Net of pension plan investment expenses, including inflation

The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, see the 2014 Experience Study on the CalPERS website.

Discount Rate - The discount rate used to measure the total pension liability was 7.50% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans 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 plans run out of assets. Therefore, the current 7.50% discount rate is adequate and the use of the municipal bond rate calculation is not necessary.

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 5 PENSION (Continued):

Discount Rate (Continued):

The long term expected discount rate of 7.50% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. 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.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

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. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 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 each fund.

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 5 PENSION (Continued):

Discount Rate (Continued):

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 rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 – 10 (a)	Real Return Years 11+ (b)
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	(0.55%)	(1.05%)
Total	100%		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

Sensitivity of the City'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 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:

	Discount Rate - 1% (6.50%)	Current Discount Rate (7.50%)	Discount Rate + 1% (8.50%)
Plan's Net Pension Liability/(Asset)	\$ 6,265,859	\$ 3,516,805	\$ 1,235,351

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 6 OTHER POST-EMPLOYMENT BENEFITS PLAN:

Plan Description:

The District elected to prefund its other post-employment benefits by adopting a defined benefit postemployment healthcare plan (Plan). The District contracted with the California Employers' Retiree Benefit Trust (CERBT) during the year ended June 30, 2009, to hold in trust and invest its OPEB contributions. The CERBT is part of the Public District portion of the California Public Employees Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employees within 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.

Plan Benefits:

The Plan provides other post-employment benefits (medical and prescription coverage) to qualified employees, elected officials, and their eligible dependents. The District contracts with CalPERS for the medical and prescription coverage (see Note 1 S.)

The District provides for a vesting requirement in accordance with Government Code 22893 to receive retiree health benefits. Employees retiring with at least 10 years of CalPERS service and five years of service with the District receive 50% up to a maximum of the Out of State PERS Choice premium rate for active employees and eligible dependents. The amount increases for retirees by 5% per year of service so that a retiree with 20 years of service credit and five years of service with the District would receive 100% of the medical premium paid by the District up to a maximum of the Out of State PERS Choice premium. The District also provides for the health benefits to be continued under the CalPERS health plan to eligible family members upon the death of an employee prior to retirement. The cost for this coverage may be paid by the District or by the family members as established by District policy.

The District provides for health and welfare benefits for elected officials, their survivors, and eligible dependents. Active elected officials, officials retiring with at least 12 years of service on the District Board, and their eligible dependents receive 100% of the medical premium paid by the District up to a maximum of the Out of State PERS Choice premium rate and dental benefits. District policy also provides for vision coverage benefits. In addition, contributions of \$20 per

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

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

Plan Benefits (Continued):

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 22920(b).

The District has seven retirees receiving benefits and 35 active participants receiving benefits. The Board of Directors has the authority to establish and amend benefit provisions of the Plan.

Annual OPEB Cost and Net OPEB Obligation:

The District is required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The ARC for the years ended June 30, 2015 and 2014 was \$247,261 and \$247,261, respectively, and included \$98,331 and \$115,014 respectively, to fund the amortization of the actuarial accrued liability as determined by the June 30, 2013 actuarial valuation.

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

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

Annual OPEB Cost and Net OPEB Obligation (Continued):

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended June 30, 2015 and 2014 were as follows:

June 30, 2015

Annual Required Contribution	\$ 254,061
Interest on OPEB Obligation	
Adjustment to Annual Required Contribution	_____
Annual OPEB Cost	\$ 254,061
Contributions Made	(<u>391,110</u>)
Change in Net OPEB Obligation (Asset)	(\$ 137,049)
Net OPEB Obligation (Asset), Beginning of Year	(<u>287,491</u>)
Net OPEB Obligation (Asset), End of Year	(<u><u>424,540</u></u>)

June 30, 2014

Annual Required Contribution	\$ 247,261
Interest on OPEB Obligation	
Adjustment to Annual Required Contribution	_____
Annual OPEB Cost	\$ 247,261
Contributions Made	(<u>346,030</u>)
Change in Net OPEB Obligation (Asset)	(\$ 98,769)
Net OPEB Obligation (Asset), Beginning of Year	(<u>188,722</u>)
Net OPEB Obligation (Asset), End of Year	(<u><u>287,491</u></u>)

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

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

Trend Information:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Actual Employer Contributions</u>	<u>Percentage Contributed</u>	<u>Net Ending OPEB (Asset)</u>
June 30, 2013	\$ 293,546	\$ 358,605	122.16%	(\$ 188,722)
June 30, 2014	\$ 247,261	\$ 346,030	139.95%	(\$ 287,491)
June 30, 2015	\$ 254,061	\$ 391,110	153.94%	(\$ 424,540)

In addition to the contribution to the CERBT, the District paid retiree premiums directly to providers and was not reimbursed by the CERBT in the amount of \$137,049 and \$98,769 for the years ended June 30, 2015 and 2014, respectively.

Funding Status and Funding Progress:

As of June 30, 2013, the most recent actuarial valuation date, the plan was 60.6% funded. The actuarial accrued liability was \$3,463,526 and the actuarial value of assets was \$2,098,945 resulting in an unfunded actuarial accrued liability (UAAL) of \$1,364,581. The annual covered payroll was \$3,159,942 and the ratio of the UAAL to the annual covered payroll was 43.18%.

Actuarial valuations for an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to continuous revision as actual results are compared to past expectations and new estimates about the future are formulated. Although the valuation results are based on values which the District's actuarial consultant believes are reasonable assumptions, the valuation results reflect a long-term perspective and, as such, are merely an estimate of what future costs may actually be. Deviations in any of several factors, such as future interest rates, medical cost inflation, Medicare coverage, and changes in marital status, could result in actual costs being less or greater than estimated.

As of June 30, 2015, eleven retired District employees are receiving health benefits under the current CalPERS health program. Eligible retired elected officials, retired employees, and their spouses covered under the previous plan receive 100% of the Medicare supplemental policy premiums paid by the District. As of June 30, 2015, there are fourteen retirees, three under a prior plan and eleven under CalPERS. There are thirty-nine total actives and of that total, five are board members.

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 7 VOTER LEGISLATION:

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

NOTE 8 COMMITMENTS AND CONTINGENCIES:

The District did not enter into any construction commitments for the fiscal year ended June 30, 2015. The District has entered into construction commitments totaling \$72,922 for the fiscal year ended June 30 2014. The amount earned on the contracts was \$72,922 with a remaining balance of \$0.

NOTE 9 RELATED PARTY TRANSACTIONS:

The District is a member of the California Sanitation Risk Management District (CSRMA), a Joint Powers Authority formed under the laws of the California Government Code, for the purpose of participating in a Workers' Compensation Insurance Program. During the years ended June 30, 2015 and 2014, the District paid \$41,753 and \$62,611, respectively, for insurance coverage under this agreement. There was a refund of \$5,882 from previous year was applied to the payments for the fiscal years ended 2015.

NOTE 10 RISK MANAGEMENT:

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

The District purchases commercial property insurance for real and personal property damage owned by the District with coverage up to a maximum of \$19.4 million. The limit for both loss of income and extra expense coverage is the actual loss sustained within 12 consecutive months after the date of loss. There are various policy sub-limits based upon the value of individual properties. In addition, the District purchases commercial property insurance for earthquake related property damage with coverage up to a maximum of \$5.0 million, subject

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 10 RISK MANAGEMENT (Continued):

to a 5% deductible per building. The District also purchases property insurance covering \$97,000 for unscheduled contractor's equipment, \$157,000 for scheduled equipment, and \$100,000 for rented equipment (Inland Marine Coverage).

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

NOTE 11 PROPERTY TAXES:

The District has a gross assessed valuation of \$5.044 billion and \$4.805 billion for the fiscal years ended June 30, 2015 and 2014, respectively. The tax rate for the administrative expenses of the District was computed by the counties under Proposition 13. The tax rates assessed were within legal limits as allowed by law.

NOTE 12 LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS:

The District is responsible for a closed solid waste disposal site that exists on land owned by the District.

At June 30, 2015, the District incurred \$9,400 in costs associated with the postclosure care. At June 30, 2014, the remaining estimated cost of postclosure care was \$2,114. In accordance with the Operations, Maintenance and Monitoring Plan, the District has an obligation for the protection and maintenance of the site, and must provide inspections of the site that is required to be filed with the Department of Toxic Substances Control (DTSC). The annual cost for the District's consultant and the DTSC fees is estimated at \$5,000. No additional maintenance of the site is anticipated. The District funds these costs through its operations and maintenance budget.

Truckee Sanitary District

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 13 SUBSEQUENT EVENTS REVIEW:

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

NOTE 14 CHANGES IN ACCOUNTING PRINCIPLES:

During the year ended June 30, 2015, the District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement 68*. These Statements required the District to recognize in its accrual basis financial statements the net pension liability, deferred outflows of resources and deferred inflows of resources for the District's pension plan. These Statements also required contributions made after the June 30, 2014 measurement date used in the actuarial valuation for the pension plan to be reported as deferred outflows of resources. Due to the implementation of these statements, a pension liability of \$3,516,805, deferred inflows of resources of \$1,188,644 and deferred outflows of resources of \$484,647 were recorded as of June 30, 2015; total net position as of July 1, 2014 was restated compared to the amounts reported in the June 30, 2014 financial statements, resulting in a decrease in net position of \$4,311,996.

REQUIRED SUPPLEMENTARY INFORMATION

Truckee Sanitary District

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS (UNAUDITED) - OTHER POST-
 EMPLOYMENT BENEFITS

June 30, 2015

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL As a % of Payroll
7/1/2009	\$ 273,687	\$ 2,338,445	\$ 2,064,758	11.7%	\$ 3,172,066	65.1%
6/30/2011	\$ 1,241,549	\$ 2,899,206	\$ 1,657,657	42.8%	\$ 3,171,366	52.3%
6/30/2013	\$ 2,098,945	\$ 3,463,526	\$ 1,364,581	60.6%	\$ 3,159,942	43.2%

Note:

This information is intended to help users assess the OPEB funding status on a going concern basis, assess progress made in accumulating assets to pay benefits and make comparisons with other public employers.

Truckee Sanitary District

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

As of June 30, 2015

LAST TEN YEARS*

	Measurement Date
	<u>June 30, 2014</u>
Plan's Proportion of the Net Pension Liability/(Asset)	0.05652%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$ 3,516,805
Plan's Covered-Employee Payroll	\$ 3,117,553
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	112.81%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	83.03%
Plan's Proportionate Share of Aggregate Employer Contributions	\$ 465,260

Notes to Schedule:

Change of benefit terms – In 2015, there were no changes to the benefit terms.

Changes in assumptions – In 2015, there were no changes in assumptions.

* Fiscal Year 2015 was the first year of implementation, therefore only one year is shown.

Truckee Sanitary District

SCHEDULE OF THE DISTRICT'S PENSION PLAN CONTRIBUTIONS

June 30, 2015

LAST TEN YEARS*

	Fiscal Year 2013-2014
Contractually required contribution (actuarially determined)	\$ 493,224
Contributions in relation to the actuarially determined contributions	(493,224)
Contribution deficiency (excess)	<u>\$ 0</u>
Covered-employee payroll	\$ 3,117,553
Contributions as a percentage of covered-employee payroll	15.82%
Notes to Schedule:	
Valuation date:	June 30, 2013

* Fiscal Year 2015 was the first year of implementation, therefore only one year is shown.

SUPPLEMENTARY INFORMATION

STATEMENT OF REVENUES AND EXPENSES - BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2015

<u>Revenues:</u>	Budgeted Amounts Original and Final	Actual Amounts	Positive (Negative) Variance With Budget
Service Charges	\$ 2,578,800	\$ 2,617,993	\$ 39,193
Taxes	4,520,000	4,550,079	30,079
Connection Fees	153,500	172,556	19,056
Inspection Fees	53,000	57,603	4,603
Work Order Revenue	47,400	20,140	(27,260)
Interest Earned	35,500	34,030	(1,470)
Rent and Leases	10,500	10,594	94
Other	45,900	33,681	(12,219)
Total Revenue	\$ 7,444,600	\$ 7,496,676*	\$ 52,076
 <u>Expenses:</u>			
Administrative and General:			
Salaries and Wages	\$ 936,000	\$ 845,327	\$ 90,673
Payroll Burden	72,000	66,521	5,479
Benefits	661,000	701,615	(40,615)
Directors Fees	18,000	20,230	(2,230)
Transportation, Gas and Oil	7,000	4,961	2,039
Insurance	140,000	137,937	2,063
Dues and Subscriptions	22,000	21,089	911
Office Expense	23,000	18,387	4,613
Operating Supplies	9,000	4,271	4,729
Safety Supplies	3,000	1,757	1,243
Professional Services	84,000	91,475	(7,475)
Legal	50,000	44,899	5,101
Printing and Publications	5,000	13,652	(8,652)
Repairs and Maintenance-Vehicles and Equipment	8,000	7,761	239
Travel and Meetings	34,000	45,495	(11,495)
Utilities and Telephone	16,000	13,966	2,034
Billing/Collection Expense	95,000	93,303	1,697
Other	20,500	29,637	(9,137)
Total Administrative and General	\$ 2,203,500	\$ 2,162,283	\$ 41,217

* Actual does not include the non-budgeted items of contributed capital from dedications.

STATEMENT OF REVENUES AND EXPENSES - BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2015

Operation and Maintenance:	Budgeted Amounts Original and Final	Actual Amounts	Positive (Negative) Variance With Budget
Salaries and Wages	\$ 2,300,000	\$ 2,113,677	\$ 186,323
Payroll Burden	233,000	211,721	21,279
Benefits	1,255,000	1,138,021	116,979
Transportation, Gas and Oil	80,000	61,000	19,000
Computer Hardware & Software	105,000	68,062	36,938
Operating Supplies	25,000	13,041	11,959
Safety Supplies	18,000	22,091	(4,091)
Professional Services	176,000	40,757	135,243
Environmental Permits and Fees	18,000	14,870	3,130
Repairs and Maintenance	135,000	114,653	20,347
Vehicle Maintenance	50,000	67,446	(17,446)
Travel and Meetings	26,000	32,510	(6,510)
Utilities and Telephone	114,000	95,332	18,668
Other	26,500	4,977	21,523
	<u>\$ 4,561,500</u>	<u>\$ 3,998,157</u>	<u>\$ 563,343</u>
Total Operations and Maintenance			
	<u>\$ 6,765,000</u>	<u>\$ 6,160,440</u>	<u>\$ 604,560</u>
Total Expenses			
Excess Revenues Over Expenses	<u>\$ 679,600</u>	<u>\$ 1,336,236</u>	<u>\$ 656,636</u>