# TRUCKEE SANITARY DISTRICT

## FINANCIAL STATEMENTS
## WITH
## INDEPENDENT AUDITOR'S REPORT

## FOR THE FISCAL YEARS ENDED
## JUNE 30, 2021 and 2020

JAMES MARTA & COMPANY
LLP
CERTIFIED PUBLIC
ACCOUNTANTS

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**TRUCKEE SANITARY DISTRICT**

**BOARD OF DIRECTORS**

**JUNE 30, 2021**

| Name | Office | Term Expires November |
|---|---|---|
| Nelson Van Gundy | Board President | 2022 |
| Brian Kent Smart | Vice President | 2024 |
| Dennis Anderson | Director | 2024 |
| Jerry Gilmore | Director | 2022 |
| Ron Sweet * | Director | 2022 |

**MANAGEMENT STAFF**

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

* Board member Ron Sweet deceased in November 2021

**TRUCKEE SANITARY DISTRICT**

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**JUNE 30, 2021 AND 2020**

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**James Marta & Company LLP**
*Certified Public Accountants*

*Accounting, Auditing, Consulting, and Tax*

## INDEPENDENT AUDITOR'S REPORT

Board of Directors
Truckee Sanitary District
Truckee, California

### Report on the Financial Statements

We have audited the accompanying Statement of Net Position of Truckee Sanitary District (the District) as of and for the year ended June 30, 2021 and 2020 and the related Statement of Revenues, Expenses and Changes in Net Position, Statement of Cash Flows and notes to the financial statements for the year then ended June 30, 2021 and 2020, which collectively comprise the District's basic financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic 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 basic 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 entity'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 basic financial statements.

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

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## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Truckee Sanitary District as of June 30, 2021 and 2020 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

## Other Matters

*Required Supplemental Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, Schedule of OPEB Contributions, Schedule of Changes in the District's Net OPEB Liability and Related Ratios, Schedule of the District's Proportionate Share of the Net Pension Liability, Schedule of Pension Contributions, Statement of Revenues and Expenses – Budget and Actual, 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 (GASB) 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 principally of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2022, on our consideration of Truckee Sanitary District's internal control over financial reporting and our tests of its compliance with provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Truckee Sanitary District's internal control over financial reporting and compliance.

James Marta + Company LLP

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
January 18, 2022

# MANAGEMENT’S DISCUSSION AND ANALYSIS

**TRUCKEE SANITARY DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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The management of Truckee Sanitary District (District) presents this discussion in compliance with the requirements of Governmental Accounting Standards Board Statement 34 (GASB 34). The intent of this document is to provide an easy-to-read summary of the District's finances to supplement the information presented in the District's financial statements for the period July 1, 2020 through June 30, 2021 (FY 2020-21). Please direct questions regarding this document or the financial statements to Blake Tresan, General Manager at:

Mail: 12304 Joerger Drive, Truckee, CA 96161
Phone: 530-587-3804
Fax: 530-587-1340
Email: btresan@truckeesan.org

## ORGANIZATION AND BUSINESS

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

The District's boundaries encompass an area of approximately 39 square miles. The District serves about 12,035 residential units and approximately 570 commercial accounts. Service is provided through approximately 215 miles of gravity mains, 16 miles of force mains, 187 miles of laterals, and 44 lift stations.

The District is governed by a five-member Board of Directors elected at-large for staggered four-year terms. The Board of Directors set policy and procedures, which are then administered by the General Manager. The District had 39 full-time employees on June 30, 2021.

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

The General Manager serves as District Treasurer.

**TRUCKEE SANITARY DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

## FINANCIAL HIGHLIGHTS

District Operating Revenue (comprised primarily of Service Charges) increased by 9.8% ($0.35 million) when compared to FY 2019-20.

District Non-Operating Revenue (comprised primarily of Property Taxes) increased by 5.1% ($0.33 million) when compared to FY 2019-20.

District Operating Expenses decreased by less than 1.0% ($0.072 million) when compared to FY 2019-20.

The District's Total Net Position increased by 1.8% ($1.13 million) from the prior fiscal year.

## OVERVIEW OF FINANCIAL STATEMENTS

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

The remaining pages of this MD&A summarize the District's Statements of Net Position, Revenues, Expenses, Changes in Net Position, and Cash Flows for FY 2020-21. An overview of the District's capital and operating activity follows the summary statements. These sections provide relevant details regarding significant or notable events. The last section of the MD&A discusses economic factors that provide context for the reader's consideration in evaluating the District's financial condition.

## FINANCIAL STATEMENTS

Net Position:

The District's Total Net Position (see page 9, Table 1, Net Position section) is the sum of: 1) Net Investment in Capital Assets, 2) Restricted Assets, and 3) Unrestricted Assets. The total Net Position at June 30, 2021 is $62.6 million.

The District's Capital Assets include sewer pipelines, pump stations, operations and maintenance facilities, administrative facilities, equipment, and rolling stock. Net Capital Assets of $50.6 million represents the net book value (cost less accumulated depreciation) of assets having an initial cost of $15,000 or more, and an estimated useful life of five years or greater.

The portion of Net Position subject to legal restrictions is presented as Restricted Assets. Restricted Assets include funds designated for the maintenance of original improvements to Sewer Assessment District 5 (Armstrong Tract), capacity expansion (funded by connection fees) and by funding monies into a Section 115 pension trust. The Section 115 pension trust balance of $0.1 million is restricted for future pension obligations and helps the District mitigate rising required pension costs. The total Restricted Net Position at fiscal year-end 2020-21 is $1.9 million.

Unrestricted Assets are not legally restricted for specific uses. The Board has, by policy, designated uses of these assets as discussed in Note 1(O) of the financial statements. Unrestricted Assets include major capital improvements, reserve fund, cash flow reserves, and contingency reserves for emergencies. The total Unrestricted Net Position at fiscal year-end 2020-21 is $10.1 million.

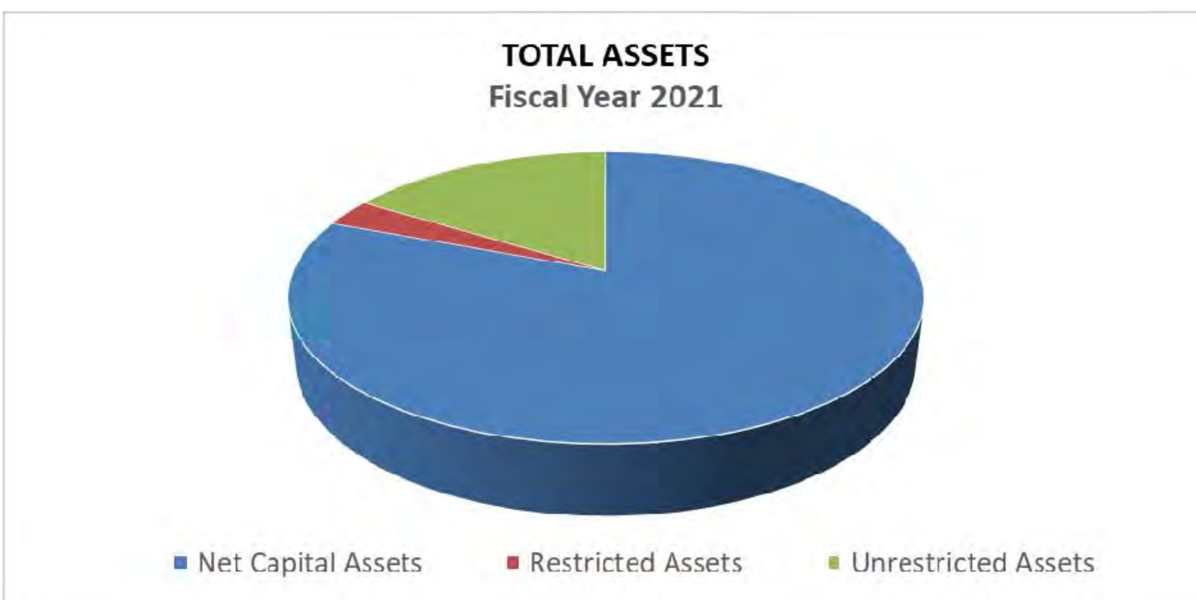
The following Condensed Statement of Net Position shows the District's current financial position and compares resources and obligations at year-end for the District on June 30, 2021 and 2020.

## FINANCIAL STATEMENTS (Continued)

### TABLE 1

**Condensed Statement of Net Position as of June 30, 2021 and 2020**

| | Fiscal Year 2021 | Fiscal Year 2020 | Difference $ | Difference % |
|---|---|---|---|---|
| Current Assets | 14,315,322 | 13,443,331 | 871,991 | 6.49% |
| Restricted Assets | 2,160,538 | 3,348,269 | (1,187,731) | -35.47% |
| Net Capital Assets | 50,565,607 | 50,707,399 | (141,792) | -0.28% |
| Deferred Pension Outflows (Note 5) | 4,255,916 | 2,995,505 | 1,260,411 | 42.08% |
| Deferred OPEB Outflows (Note 6) | 473,569 | 427,897 | 45,672 | 10.67% |
| Total Assets & Deferred Outflows of Resources | 71,770,952 | 70,922,401 | 848,551 | 1.20% |
| Current Liabilities (payable from Current Assets) | 1,884,637 | 1,534,458 | 350,179 | 22.82% |
| Current Liabilities (payable from Restricted Assets) | - | 240,823 | (240,823) | -100.00% |
| Long-Term Liabilities | 6,621,829 | 6,480,079 | 141,750 | 2.19% |
| Deferred Pension Inflows (Note 5) | 670,288 | 1,214,293 | (544,005) | -44.80% |
| Deferred OPEB Inflows (Note 6) | 14,875 | - | 14,875 | 100.00% |
| Total Liabilities and Deferred Inflows of Resources | 9,191,629 | 9,469,653 | (278,024) | -2.94% |
| Net Capital Assets | 50,565,607 | 50,707,399 | (141,792) | -0.28% |
| Restricted | 1,904,841 | 2,794,317 | (889,476) | -31.83% |
| Unrestricted | 10,108,875 | 7,951,032 | 2,157,843 | 27.14% |
| Total Net Position | 62,579,323 | 61,452,748 | 1,126,575 | 1.83% |



## FINANCIAL STATEMENTS (Continued)

Table 1 shows the District's Total Net Position was approximately $62.6 million as of June 30, 2021. This represents a 1.8% increase ($1.1 million) from the close of the previous fiscal year. Increases in property tax revenue and user fees account for the majority of the increases.

Revenues, Expenses and Changes in Net Position:

The Condensed Statement of Revenues, Expenses, and Change in Net Position (Table 2) shows the change in Net Position between FY 2020-21 and FY 2019-20.

### TABLE 2

**Condensed Statement of Revenues, Expenses, and Changes in Net Position for the Years Ended June 30, 2021 and 2020**
**6/30/2021**

| | 2021 | 2020 | Difference $ | Difference % |
|---|---|---|---|---|
| **REVENUE** | | | | |
| Operating Revenues (a) | 4,065,797 | 3,666,386 | 399,411 | 10.89% |
| Non-Operating Revenues (b) | 6,812,212 | 6,484,047 | 328,165 | 5.06% |
| Total Revenues (a+b) | 10,878,009 | 10,150,433 | 727,576 | 7.17% |
| Operating Expenses before Depreciation (c) | 8,859,842 | 8,997,836 | (137,994) | -1.53% |
| Operating Loss before Depreciation (a-c) | (4,794,045) | (5,331,450) | 537,405 | -10.08% |
| Depreciation (d) | 2,166,492 | 2,100,856 | 65,636 | 3.12% |
| Operating Loss (a-c-d) | (6,960,537) | (7,432,306) | 471,769 | -6.35% |
| Net Loss before Contributions (a+b-c-d) | (148,325) | (948,259) | 799,934 | -84.36% |
| Capital Contributions (e) | 1,274,901 | 2,987,843 | (1,712,942) | -57.33% |
| Change in Net Position (a+b-c-d+e) | 1,126,575 | 2,039,583 | (913,008) | -44.76% |
| Net Position, Beginning of Year (f) | 61,452,748 | 59,413,165 | 2,039,583 | 3.43% |
| Ending Net Position (a+b-c-d+e+f) | 62,579,323 | 61,452,748 | 1,126,575 | 1.83% |

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, 96.2%, of the District's Operating Revenues and 36.0% of the Total Revenues. In FY 2020-21, the District received $3.9 million in service charge revenue, up 9.8% from FY 2019-20. An 8.0% increase in service charge rates as well as additional connections being served account for the change in service charge revenue.

## FINANCIAL STATEMENTS (Continued)

Property taxes account for 95.3% of the District's Non-Operating Revenues and 59.7% of Total Revenues. In FY 2020-21, the District received $6.5 million in property tax revenue, up 6.5% from the previous fiscal year. The increased revenue is a result of a healthy real estate market including increased sales of existing homes as well as substantial new construction.

Total Operating Expenses in FY 2020-21 were $11.0 million, decreasing less than 1% from prior year. Approximately 19.6% ($2.2 million) of the Operating Expenses is due to depreciation of capital assets (a non-cash expense).

Statement of Cash Flows:

The Condensed Statement of Cash Flows for the fiscal year ended June 30, 2021 (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, 2021 and 2020**
**6/30/2021**

| | 2021 | 2020 | Difference $ | Difference % |
|---|---|---|---|---|
| Net Cash Used by Operating Activities | (6,214,992) | (5,213,721) | (1,001,271) | 19.20% |
| Net Cash Provided by Non-Capital Financing Activities | 6,629,183 | 6,057,794 | 571,389 | 9.43% |
| Net Cash Used by Capital & Related Financing Activities | (985,123) | (1,094,733) | 109,610 | -10.01% |
| Net Cash Provided by Investing Activities | 238,910 | 318,172 | (79,262) | -24.91% |
| Net Increase (Decrease) in Cash and Cash Equivalents | (332,022) | 67,512 | (399,534) | -591.80% |
| Cash and Cash Equivalents, Beginning of Year | 16,145,115 | 16,077,603 | 67,512 | 0.42% |
| Cash and Cash Equivalents, End of Year | 15,813,093 | 16,145,115 | (332,022) | -2.06% |

Table 3 shows the District's cash position decreased 2.1% ($0.33 million) from the beginning of the year to the end of the year of FY 2020-21. Although service charges and property taxes increased by a combined $0.74 million, the cash decrease is mainly attributable to a $2.25 million additional discretionary payment to the CalPERS pension plan.

**FINANCIAL STATEMENTS (Continued)**

The District participates in the CalPERS defined benefit pension plan and is committed to reducing its pension liability for employees and retirees. In addition to Normal Cost (% of payroll) and required payments to the District's Unfunded Accrued Liability (UAL), the District has made additional discretionary payments (ADP) of $2,250,000 in FY 2021 and $1,000,000 in FY 2020 to reduce the UAL for Classic employees and retirees. The District also utilizers an IRC section 115 California Employers' Pension Prefunding Trust ("CEPPT") account to manage the funding timing of CalPERS Pension fund contributions. CEPPT funds are restricted for funding the District's CalPERS pension obligations. See further information on the District's Defined Benefit Pension Plan at Note 5 of the financial statements.

The District continues to pay retiree health premiums and fund a retirement health trust. In FY 2020-21, the District paid $0.24 million in retiree health premiums with no deposits into the California Employers' Retiree Benefit Trust ("CERBT"). The plan's assets were valued at $6.84 million on June 30, 2021, likely exceeding the 90% funding status goal set by the District's Board of Directors in their reserve policy. See further information on the District's Other Post-Employment Benefit at Note 6 of the financial statements.

The cash flows from Non-Capital Financing Activities increased by 9.4% during FY 2020-21 from FY 2019-20. This $0.57 million increase is primarily attributed to a $0.40 million increase in property tax revenue.

During FY 2020-21 cash used for capital acquisitions included the following:

- Vehicle Storage Facility Expansion;
- Operating vehicle;
- Lift Station electrical upgrade;
- Corporate Yard Facility Improvements;
- IT Fiber upgrade.

Cash provided from investments came from returns on District funds held by the Local Agency Investment Fund (LAIF) and from the California Employers' Pension Prefunding Trust ("CEPPT"). 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 LAIF investment income decreased by $0.21 million in FY 2020-21 from FY 2019-20, ($0.29 million in FY2019-20 to $0.08 million in FY2020-21) due to increasingly lower returns from LAIF. Conversely, investment income from CEPPT increased by $0.12 million from FY2019-20 to FY2020-21.

The District ended the fiscal year with $15.8 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, 2021 totaled $98.7 million of non-depreciable and depreciable assets.

Non-depreciable assets of $0.75 million:
Land, easements, and construction in progress.

Depreciable assets of $98.0 million:
Sewage collection and administrative facilities, general and administrative equipment.

Total accumulated depreciation of $48.2 million resulted in a Net Capital Asset value of $50.6 million as of June 30, 2021 compared to $50.7 million at fiscal year ending June 30, 2020, a decrease of $0.1 million.

The District continues to be debt-free, thus no debt-related activities are reported in the financial statements.

## BUDGET ANALYSIS

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

Table 4 summarizes the budget and actual revenues and expenses for FY 2020-21:

**TABLE 4**

**Summary of Fiscal Year 2021 Budget**

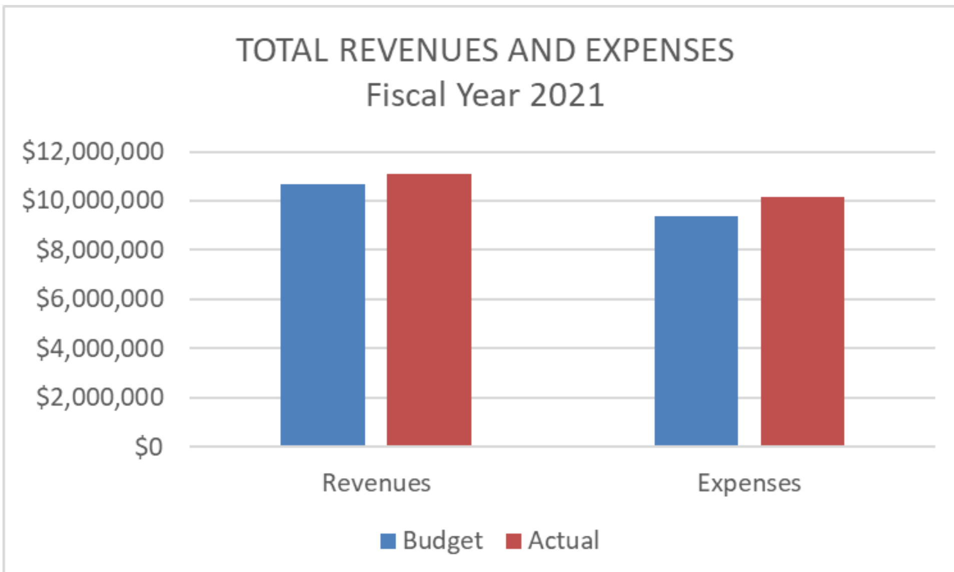
| | FY21 Budget | FY21 Actual | Budget to Actual $ | % |
|---|---|---|---|---|
| **Revenues** | **10,700,000** | **11,100,941** | **400,941** | **3.61%** |
| **Expenses** | **9,354,400** | **10,143,761** | **(789,361)** | **-7.78%** |
| **Excess Revenue over Expenses** | **1,345,600** | **957,180** | **(388,420)** | **-40.58%** |

District revenues exceeded budgeted revenues by $0.40 million (3.6%) for FY 2020-21. The primary sources of additional revenue came from higher than anticipated property tax revenues received from Nevada and Placer Counties.

## BUDGET ANALYSIS (Continued)

District expenses were $0.79 million (7.8%) over budgeted expenses for FY 2020-21. The primary sources of additional expenses were increased payments towards the District's CalPERS defined benefit pension plan liability.

## ECONOMIC FACTORS AND FUTURE BUDGET CONSIDERATIONS




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

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

The District's operating expenses are primarily labor and labor-related costs. These expenses are anticipated to rise in the future, but with the turnover in staff from Classic to PEPRA employees, the rate of increase is anticipated to slow relative to prior years. In contrast with this anticipated pension savings/slowdown from the 2013 CalPERS employee re-classification is the challenge of overall pension plan funding given that the valuation of the pension plan and the resulting District liabilities can increase or decrease depending on financial market fluctuations in any given year. There are several economic and demographic assumptions that can also influence the District's total pension assets and corresponding

## ECONOMIC FACTORS AND FUTURE BUDGET CONSIDERATIONS (Continued)

liabilities. The District Board has shown a strong commitment to making additional discretionary payments to reduce the District's pension liability thus proactively reducing long-term risk.

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

During 2019, the District completed a hydraulic model of its collection system to determine any capacity constraints in serving customers at buildout. The analysis identified that there were approximately $20 million in projected future capacity expanding facility improvements that would be required for the future build out of the District's sewer system to support future development. The District generally employs a philosophy of 'growth pays for growth' where the cost of capacity expanding are funded by connection fees from new development and new customers. The District completed a Connection Fee Adequacy Analysis completed in April of 2021 where it was recommended that District establish a connection fee of $1,440 per equivalent dwelling unit (EDU). The District's connection fees of $750 per EDU had not been raised in almost 40 years. In October of 2021 the Board of Directors adopted Ordinance 1-2021 updating the TSD District Code. This update included raising connection fees as well as other fees and charges effective January 1, 2022. The updated connection fees are anticipated to be reviewed annually against inflation and every 5 to 8 years for adequacy moving forward and should put the District in a strong position to maintain adequate reserves to finance future capacity expanding capital projects.

# BASIC FINANCIAL STATEMENTS

**TRUCKEE SANITARY DISTRICT**

**STATEMENT OF NET POSITION**

**JUNE 30, 2021 AND 2020**

| | 2021 | 2020 |
|---|---|---|
| **ASSETS AND DEFERRED OUTFLOWS OF RESOURCES** | | |
| Unrestricted Assets: | | |
| Cash and equivalents | $ 13,660,129 | $ 12,818,544 |
| Accounts receivable | 254,610 | 244,708 |
| Interest receivable | 12,908 | 47,470 |
| Property taxes receivable | 367,559 | 313,616 |
| Fuel inventory | 10,694 | 2,861 |
| Prepaid expense | 9,421 | 16,132 |
| Total Unrestricted Assets | 14,315,321 | 13,443,331 |
| Restricted Assets: | | |
| Cash and equivalents | 2,152,964 | 3,326,571 |
| Accounts receivable | 5,850 | 11,350 |
| Interest receivable | 1,724 | 10,347 |
| Total Restricted Assets | 2,160,538 | 3,348,268 |
| Capital assets, net of accumulated depreciation | 50,565,608 | 50,707,400 |
| Total Assets | 67,041,467 | 67,498,999 |
| Deferred Outflow of Resources: | | |
| Pension related | 4,255,916 | 2,995,505 |
| OPEB related | 473,569 | 427,897 |
| Total Deferred Outflows of Resources | 4,729,485 | 3,423,402 |
| Total Assets and Deferred Outflows of Resources | $ 71,770,952 | $ 70,922,401 |

**TRUCKEE SANITARY DISTRICT**

**STATEMENT OF NET POSITION**

**JUNE 30, 2021 AND 2020**

| | 2021 | 2020 |
|---|---|---|
| **LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION** | | |
| Unrestricted Liabilities: | | |
| Accounts payable | $ 83,560 | $ 64,757 |
| Wages payable | 177,000 | 134,002 |
| Compensated absences payable | 1,081,020 | 916,712 |
| Customer deposit | 543,057 | 418,987 |
| Total Unrestricted Liabilities | 1,884,637 | 1,534,458 |
| Restricted Liabilities: | | |
| Accounts payable | - | 240,823 |
| Total Restricted Liabilities | - | 240,823 |
| Long-term liabilities: | | |
| Trust fund payable - sewer assessment district maintenance fund | 255,697 | 313,129 |
| Net pension liability | 5,422,053 | 5,302,332 |
| Net OPEB liability | 944,079 | 864,618 |
| Total Long-term Liabilities | 6,621,829 | 6,480,079 |
| Deferred Inflows of Resources: | | |
| Pension related | 670,288 | 1,214,293 |
| OPEB related | 14,875 | - |
| Total Deferred Inflows | 685,163 | 1,214,293 |
| Total Liabilities and Dederred Inflows of Resources | 9,191,629 | 9,469,653 |
| Net Position: | | |
| Net invested in capital assets | 50,565,608 | 50,707,400 |
| Restricted for capital expansion | 1,800,614 | 2,302,593 |
| Restricted for pension expenditures | 104,227 | 491,723 |
| Unrestricted | 10,108,874 | 7,951,032 |
| Total Net Position | 62,579,323 | 61,452,748 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | $ 71,770,952 | $ 70,922,401 |

**TRUCKEE SANITARY DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION**

**FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020**

| | 2021 | 2020 |
|---|---|---|
| **Operating Revenues:** | | |
| Service charges | $ 3,911,917 | $ 3,563,171 |
| Inspection fees | 153,880 | 103,215 |
| Total operating revenues | 4,065,797 | 3,666,386 |
| **Operating Expenses:** | | |
| Operations and maintenance | 6,153,485 | 6,114,283 |
| General and administration | 2,706,358 | 2,883,553 |
| Depreciation | 2,166,492 | 2,100,855 |
| Total operating expenses | 11,026,335 | 11,098,691 |
| Total operating income/(loss) | (6,960,538) | (7,432,305) |
| **Non-operating Revenues:** | | |
| Property Taxes | 6,489,280 | 6,093,184 |
| Investment income, net | 195,725 | 276,780 |
| Rents and leases | 3,513 | 3,762 |
| Gain on sale of assets | - | 42,400 |
| Other income | 123,695 | 67,921 |
| Total non-operating revenues | 6,812,213 | 6,484,047 |
| Total income/(loss) before contributions | (148,325) | (948,258) |
| **Capital Contributions:** | | |
| Dedicated land and improvements | 1,051,968 | 2,742,552 |
| Connection fees | 222,932 | 245,290 |
| Total capital contributions | 1,274,900 | 2,987,842 |
| Change in net position | 1,126,575 | 2,039,584 |
| Fund balances, July 1, 2020 | 61,452,748 | 59,413,164 |
| Fund balances, June 30, 2021 | $ 62,579,323 | $ 61,452,748 |

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

**TRUCKEE SANITARY DISTRICT**

**STATEMENTS OF CASH FLOWS**

**FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020**

| | 2021 | 2020 |
|---|---|---|
| Cash flows from operating activities: | | |
| Cash receipts from customers | $ 4,055,894 | $ 3,592,387 |
| Payments to suppliers | (6,192,580) | (4,757,751) |
| Payments to employees | (4,046,302) | (4,017,657) |
| Other payments | (32,005) | (30,700) |
| Net cash provided (used) by operating activities | (6,214,993) | (5,213,721) |
| Cash flows from noncapital financing activities: | | |
| Receipt of property taxes | 6,435,337 | 6,078,396 |
| Customer deposits | 124,070 | (42,922) |
| Other non-operating revenues | 127,208 | 71,683 |
| Decrease in trust payable | (57,432) | (49,363) |
| Net cash provided by noncapital financing activities | 6,629,183 | 6,057,794 |
| Cash flows from capital and related financing activities: | | |
| Capital contributions | 228,432 | 245,290 |
| Acquisition of capital assets | (1,213,555) | (1,382,423) |
| Proceeds from sale of capital assets | - | 42,400 |
| Net cash provided (used) by capital and related financing activities | (985,123) | (1,094,733) |
| Cash flows from investing activities: | | |
| Investment income received | 238,911 | 318,172 |
| Net cash provided (used) by investing activities | 238,911 | 318,172 |
| Increase (decrease) in cash and cash equivalents | (332,022) | 67,512 |
| Beginning cash and cash equivalents | 16,145,115 | 16,077,603 |
| Ending cash and cash equivalents | $ 15,813,093 | $ 16,145,115 |
| Cash and cash equivalents classified in the statement of net position: | | |
| Cash and cash equivalents | | |
| Unrestricted | 13,660,129 | $ 12,818,544 |
| Restricted | 2,152,964 | 3,326,571 |
| | $ 15,813,093 | $ 16,145,115 |

## TRUCKEE SANITARY DISTRICT

## STATEMENTS OF CASH FLOWS

## FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020

| | 2021 | 2020 |
|---|---|---|
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | |
| Operating income (loss) | $ (6,960,538) | $ (7,432,305) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | |
| Depreciation | 2,166,492 | 2,100,855 |
| Decrease (increase) in: | | |
| Accounts receivable | (9,904) | (73,999) |
| Inventory | (7,834) | 4,396 |
| Prepaid expenses | 6,711 | 48,145 |
| Deferred outflows of resources | (1,306,083) | 375,859 |
| Increase (decrease) in: | | |
| Accounts payable | 18,804 | (78,496) |
| Compensated absences | 164,308 | 156,407 |
| Wages Payable | 42,999 | 16,177 |
| Deferred inflows of resources | (529,130) | 146,735 |
| Net pension liability | 119,721 | (398,381) |
| Net OPEB liability | 79,461 | (79,114) |
| Net cash provided (used) by operating activities | $ (6,214,993) | $ (5,213,721) |
| Schedule of noncash transactions: | | |
| Capital contributed by developers, customers town of truckee and the state of California | | |
| Contributions of capital to the District | $ 1,274,900 | $ 2,987,842 |
| Less - contributions of land and improvements | (1,051,968) | (2,742,552) |
| Cash provided by contributions | $ 222,932 | $ 245,290 |
| Capital asset acquisitions | | |
| Acquisition of capital assets | (972,732) | $ (1,623,246) |
| Increase in payables | (240,823) | 240,823 |
| Cash used for capital asset acquisition | $ (1,213,555) | $ (1,382,423) |

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION:

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

### A. DESCRIPTION OF THE DISTRICT AND ORGANIZATION:

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

### B. DESCRIPTION OF THE REPORTING ENTITY:

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

### C. ACCOUNTING POLICIES:

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

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

### D. FINANCIAL STATEMENT PRESENTATION:

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

- Net Investment in Capital Assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investments in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds. The District had no related debt of as of June 30, 2021 and 2020.

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

**D. FINANCIAL STATEMENT PRESENTATION (Continued):**

- Restricted - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

- Unrestricted - This component of net position consists of equity that does not meet the definition of "restricted" or "net investment in capital assets."

**E. BUDGETARY CONTROL:**

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

**F. USE OF ESTIMATES:**

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**G. CASH, CASH EQUIVALENTS, AND INVESTMENTS:**

Deposits of the District are located at various financial institutions within the state and are recorded at cost. (See Note 2A for additional disclosure of District deposits.) For purposes of the statement of cash flows, the District considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents. Investments in external investment pools are valued on the basis of $1 in the statement of net position.

**H. ACCOUNTS RECEIVABLE:**

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

**I. INVENTORIES:**

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

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

**J. CAPITAL ASSETS:**

Capital assets are defined by the District as assets with an initial, individual cost exceeding $15,000 with an estimated useful life of five years or greater. Capital assets are stated at cost, less accumulated depreciation and amortization computed by the straight-line method. Estimated useful lives are as follows:

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

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

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

**K. COMPENSATED ABSENCES:**

The District accrues a liability for unpaid vacation, compensatory time and sick pay. Accumulated vacation leave is recorded as an expense and liability as the benefits accrue to employees. Starting in FY 2020, the District recognizes all sick pay benefits as they accrue to employees rather than only recognizing the accrued and vested balances. As of June 30, 2021 and 2020, accrued vacation and sick leave benefits totaled $1,081,020 and $916,712, respectively.

**L. REVENUE RECOGNITION – PROPERTY TAXES:**

Property taxes are attached as an enforceable lien on property as of January 1. Taxes are levied and due on the following November 1 and February 1. Property tax revenues are recognized in the fiscal period for which they are levied and in which they become available.

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

**M. OPERATING/NON-OPERATING REVENUE AND EXPENSES:**

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

**N. RESTRICTED ASSETS:**

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

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

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

Section 115 Pension Trust – In FY 2020, the District's Board of Directors approved funding into the California Employers' Pension Prefunding Trust ("CEPPT"), an IRC Section 115 pension trust, to mitigate future budget impacts of rising pension contributions to CalPERS. For FY 2021, $500,000 was invested into the Trust, while a $1,000,000 distribution was made into the PERF. The Section 115 pension trust assets are classified as restricted assets on the Statement of Net Position since their use is limited in scope to funding the District's CalPERS pension plan expenditures. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the District's policy is to apply to restricted net assets first.

**O. BOARD – DESIGNATED NET POSITION:**

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

- Major Capital Improvements Reserve Fund - This reserve was established to segregate excess administrative, maintenance, and operation funds to be used for the construction and acquisition of capital assets.

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

### O. BOARD – DESIGNATED NET POSITION (Continued):

The balance of the reserve as of June 30, 2021 and 2020 was $4,118,626 and $4,127,102, respectively.

- Cash Flow Reserves - This reserve provides a cash flow safeguard and is required to support an unanticipated loss or delay of revenues from the counties, significant one-time expenditures or decreases in revenues, unfunded mandates, and unforeseen increases in expenses. The reserve can be used at any time to meet the cash flow requirements of the District's operations. Authority to use these funds will be consistent with the District's purchasing policy. During the annual budgeting process the District will ensure that a minimum balance of seven months of average budgeted operating expenses is available on July 1 of each year to cover expenses paid from the general operating fund.

- Contingency Reserve Fund - This fund is to maintain a minimum emergency reserve balance to support unforeseen or emergency events. This reserve will ensure the District's ability to provide for unbudgeted emergency situations independent of revenue cash flows and insurance proceeds. Use of these funds requires direction and approval by the Board of Directors.
Typically, General Fund reserves would be used initially with subsequent reimbursements from this fund as directed by the Board of Directors. The Board of Directors had established a target contingency reserve balance of $3,000,000. As of June 30, 2021 and 2020 the amount available in the unrestricted fund balance was $5,969,703 and $4,315,653, respectively.

### P. PENSION PLAN:

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

### Q. OTHER POST EMPLOYMENT BENEFITS PLAN:

The District sponsors a prefunding benefit plan for other post-employment benefits (OPEB). The plan covers all eligible full-time and part-time employees. For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. For information about the OPEB plan, see Note 6.

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

**R. MEDICAL BENEFITS:**

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

**S. RECLASSIFICATION:**

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

**T. ACCOUNTING PRONOUCEMENTS THAT HAVE BEEN IMPLEMENTED IN THE CURRENT FINANCIAL STATEMENTS:**

In May 2020, the GASB issued Statement No. 95 – Postponement of the Effective Dates of Certain Authoritative Guidance. The Statement was intended to provide relief to governments in light of the COVID-19 pandemic. The objectives of this Statement are to extend the effective dates of certain accounting and financial reporting provisions in Statements and Implementation Guides that were relevant to the District and were scheduled to become effective for reporting periods beginning after June 15, 2019 and later. The provisions of the Statement were effective immediately.

**U. DEFERRED OUTFLOW/DEFERRED INFLOW OF RESOURCES – PENSION:**

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

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

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

### V. DEFERRED OUTFLOW/DEFERRED INFLOW OF RESOURCES – OPEB:

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

## 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS:

### A. DEPOSITS AND CUSTODIAL CREDIT RISK:

As of June 30, 2021 and 2020 the carrying amounts of the District's deposits were $113,568 and $125,576, respectively. The bank balances were $127,077 and $155,866, respectively. As of June 30, 2021 and 2020, the amount of $250,000 was covered by federal depository insurance (FDIC). There was no balance exceeding the FDIC limit as of June 30, 2021 and 2020 that was exposed to custodian credit risk with deposits uninsured and collateralized with securities held by the pledging financial institution in accordance with Government Code 53651 et seq.

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

The California Employers' Prefunding Pension Trust ("CEPPT") had a balance of $104,227 as of June 30, 2021. This restricted fund balance is included in the restricted cash and cash equivalent balance of the Statement of Net Position.

### B. INVESTMENTS:

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

The investment policy set by the Board of Directors of the District is more conservative than that set by state statute. The policy allows the District's treasurer to invest in U.S. Treasury Securities,

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

### B. INVESTMENTS (Continued):

Certificate of Deposits (FDIC-insured), Savings Accounts (FDIC-insured), Local Agency Investment Fund (LAIF), County Treasurer Investment Pool (Placer or Nevada), the Investment Trust of California (CalTRUST), California Employers' Retiree Benefit Trust (CERBT), and California Employers' Pension Prefunding Trust (CEPPT).

Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. As of June 30, 2021 and 2020, the District had the following investments:

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | Carrying Amount | Market Value | Carrying Amount | Market Value |
| LAIF | $ 15,594,749 | $ 15,596,043 | $ 15,527,266 | $ 15,603,548 |

Structured notes and asset-backed securities comprised 2.31% and 3.37% of LAIF's total portfolio for all investors as of June 30, 2021 and 2020, respectively. Fair value of a pool share was $1.00008297 and $1.004912795 for those same periods. The cost value of a pool share was constant at $1.00.

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

Accordingly, the District's proportionate share in these types of investments is an uncategorized input not defined as a Level 1, Level 2, or Level 3 input. The District does not have any investments that are subject to the fair value hierarchy as of June 30, 2021 and 2020.

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

Credit Risk - Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in LAIF has not been rated by a nationally recognized statistical organization.

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

### C. CLASSIFICATION:

| | 2021 | 2020 |
|---|---|---|
| Summary of Cash and Investment: | | |
| Cash on hand | $ 550 | $ 550 |
| Cash deposit | 113,567 | 125,575 |
| CEPPT | 104,227 | 491,725 |
| Investment - LAIF | 15,594,749 | 15,527,267 |
| | $ 15,813,093 | $ 16,145,117 |
| Balance Sheet Classification: | | |
| Cash and cash equivalent: | | |
| Unrestricted | $ 13,660,129 | $ 12,818,545 |
| Restricted | 2,152,964 | 3,326,572 |
| | $ 15,813,093 | $ 16,145,117 |

## 3. RESTRICTED ASSETS AND LIABILITIES:

Restricted and designated assets and liabilities as of June 30, 2021 are identified by use as follows:

| | Sewer Assessment District 5 Maintenance | Capital Expenses | CEPPT | Total |
|---|---|---|---|---|
| Restricted Assets: | | | | |
| Cash and cash equivalent | $ 255,487 | $ 1,793,250 | $ 104,227 | $ 2,152,964 |
| Interest receivable | 210 | 1,514 | - | 1,724 |
| Accounts receivable | - | 5,850 | - | 5,850 |
| Total Restricted | $ 255,697 | $ 1,800,614 | $ 104,227 | $ 2,160,538 |

## 3. RESTRICTED ASSETS AND LIABILITIES (Continued):

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

| | Sewer Assessment District 5 Maintenance | Capital Expenses | CEPPT | Total |
|---|---|---|---|---|
| Restricted Assets: | | | | |
| Cash and cash equivalent | 311,991 | 2,522,856 | 491,725 | 3,326,572 |
| Interest receivable | 1,138 | 9,210 | - | 10,348 |
| Accounts receivable | - | 11,350 | - | 11,350 |
| Total Restricted | 313,129 | 2,543,416 | 491,725 | 3,348,270 |
| Restricted Liabilities: | | | | |
| Accounts payable | - | 240,823 | - | 240,823 |
| Total Restricted | - | 240,823 | - | 240,823 |

## 4. CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2021 was as follows:

| | Balance July 1, 2020 | Transfers | Additions | Deletions | Balance June 30, 2021 |
|---|---|---|---|---|---|
| Capital assets not being depreciated: | | | | | |
| Land and easements | $ 754,427 | $ - | | $ - | $ 754,427 |
| Construction in progress | 964,117 | (960,606) | - | 3,511 | - |
| Total capital assets not being depreciated | 1,718,544 | (960,606) | - | 3,511 | 754,427 |
| Capital assets being depreciated: | | | | | |
| Sewage collection facilities | 80,977,525 | 46,512 | 1,055,565 | - | 82,079,602 |
| Administrative facilities | 8,273,467 | 914,094 | 796,269 | - | 9,983,830 |
| General plant and administrative equipment | 5,737,004 | | 176,375 | - | 5,913,379 |
| Total capital assets being depreciated | 94,987,996 | 960,606 | 2,028,209 | - | 97,976,811 |
| Less accumulated depreciation: | | | | | |
| Sewage collection facilities | 36,722,797 | - | 1,529,135 | - | 38,251,932 |
| Administrative facilities | 5,162,827 | - | 290,480 | - | 5,453,307 |
| General plant and administrative equipment | 4,113,516 | | 346,875 | - | 4,460,391 |
| Total accumulated depreciation | 45,999,140 | - | 2,166,490 | - | 48,165,630 |
| Total capital assets, net of depreciation | $ 50,707,400 | $ - | $ (138,281) | $ 3,511 | $ 50,565,608 |

## 4. CAPITAL ASSETS (Continued):

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

| | Balance July 1, 2019 | Transfers | Additions | Deletions | Balance June 30, 2020 |
|---|---|---|---|---|---|
| Capital assets not being depreciated: | | | | | |
| Land and easements | $ 578,599 | $ - | $ 175,828 | $ - | $ 754,427 |
| Construction in progress | 134,596 | - | 874,550 | 45,029 | 964,117 |
| Total capital assets not being depreciated | 713,195 | - | 1,050,378 | 45,029 | 1,718,544 |
| Capital assets being depreciated: | | | | | |
| Sewage collection facilities | 78,143,467 | - | 2,834,058 | - | 80,977,525 |
| Administrative facilities | 8,185,439 | - | 88,028 | - | 8,273,467 |
| General plant and administrative equipment | 5,394,509 | | 438,363 | 95,868 | 5,737,004 |
| Total capital assets being depreciated | 91,723,415 | - | 3,360,449 | 95,868 | 94,987,996 |
| Less accumulated depreciation: | | | | | |
| Sewage collection facilities | 35,236,146 | - | 1,486,651 | - | 36,722,797 |
| Administrative facilities | 4,896,875 | - | 265,952 | - | 5,162,827 |
| General plant and administrative equipment | 3,861,132 | | 348,252 | 95,868 | 4,113,516 |
| Total accumulated depreciation | 43,994,153 | - | 2,100,855 | 95,868 | 45,999,140 |
| Total capital assets, net of depreciation | $ 48,442,457 | $ - | $ 2,309,972 | $ 45,029 | $ 50,707,400 |

## 5. DEFINED BENEFIT PENSION PLAN:

General Information about the Pension Plan:

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

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

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

## 5. DEFINED BENEFIT PENSION PLAN (Continued):

The Plan's provisions and benefits in effect as of June 30, 2021 and 2020 are summarized as follows:

| | Miscellaneous | |
|---|---|---|
| Hire date | Prior to January 1, 2013 | On or after January 1, 2013 |
| Benefit formula | 2.7% @ 55 | 2% @ 62 |
| Benefit vesting schedule | 5 years service | 5 years service |
| Benefit payments | monthly for life | monthly for life |
| Retirement age | 50 | 52 |
| Monthly benefits, as a % of eligible compensation | 2.0% to 2.7% | 1.0% to 2.5% |
| Required employee contribution rates: | | |
| June 30, 2021 | 7.956% | 6.750% |
| June 30, 2020 | 7.954% | 6.750% |
| Required employer contribution rates: | | |
| June 30, 2021 | 13.515% | 7.732% |
| June 30, 2020 | 12.514% | 6.985% |

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

The District's contributions to the risk pool in the Plan for the year ended June 30, 2021 and 2020 were as follows:

| | Miscellaneous | |
|---|---|---|
| | 2021 | 2020 |
| Miscellaneous Risk Pool | $ 3,102,069 | $ 1,326,897 |

## 5. DEFINED BENEFIT PENSION PLAN (Continued):

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions - As of June 30, 2021 and 2020 the Truckee Sanitary District reported net pension liabilities for its proportionate share of the net pension liability of 5,422,053 and $5,302,332, respectively.

Truckee Sanitary District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2021, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures. Truckee Sanitary District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan as of June 30, 2020 was as follows:

| | Miscellaneous |
|---|---|
| Proportion - June 30, 2019 (Measurement Date) | 0.13241% |
| Proportion - June 30, 2020 (Measurement Date) | 0.12854% |
| Change - Increase (Decrease) | -0.00387% |

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

| | Miscellaneous |
|---|---|
| Proportion - June 30, 2018 (Measurement Date) | 0.15126% |
| Proportion - June 30, 2019 (Measurement Date) | 0.13241% |
| Change - Increase (Decrease) | -0.01886% |

For the year ended June 30, 2021 and 2020, the District recognized pension expense of $1,684,697 and $1,467,996, respectively.

As of June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Pension contributions subsequent to measurement date | $ 3,102,069 | $ - |
| Difference between expected and actual experience | 380,228 | - |
| Changes in assumptions | - | (52,126) |
| Differences between employer contributions and proportionate share of contributions | 512,717 | - |
| Change in employer's proportion | - | (618,162) |
| Differences between projected and actual investment | 260,903 | - |
| Total | $ 4,255,917 | $ (670,288) |

## 5. DEFINED BENEFIT PENSION PLAN (Continued):

It should be noted that a deferred outflow of $3,102,069 was related to contributions subsequent to the measurement date, and the entire amount will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts (i.e. amounts other than contributions subsequent to the measurement date) reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

| Fiscal Year Ending June 30: | Deferred Outflow/(Inflows) of Resources |
|---|---|
| 2022 | $ 43,932 |
| 2023 | 173,207 |
| 2024 | 152,155 |
| 2025 | 114,266 |
| Thereafter | - |
| Total | $ 483,560 |

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Pension contributions subsequent to measurement date | $ 1,326,897 | $ - |
| Difference between expected and actual experience | 484,728 | (37,142) |
| Changes in assumptions | 329,126 | (117,287) |
| Differences between employer contributions and proportionate share of contributions | 817,073 | (42,289) |
| Change in employer's proportion | 37,681 | (897,203) |
| Differences between projected and actual investments | | (120,372) |
| Total | $ 2,995,505 | $ (1,214,293) |

## 5. DEFINED BENEFIT PENSION PLAN (Continued):

Actuarial Assumptions - In the actuarial valuations for measurement periods June 30, 2020 and 2019, the total pension liabilities were determined using the following actuarial methods and assumptions:

| | |
|---|---|
| Valuation Date | June 30, 2019 |
| Measurement Date | June 30, 2020 |
| Actuarial Cost Method | Entry-Age Normal Cost |
| Actuarial Assumptions | |
| Discount Rate | 7.15% |
| Inflation | 2.50% |
| Payroll Growth Rate | 2.75% |
| Projected Salary Increase (1) | Varies by Entry Age and Service |
| Investment Rate of Return (2) | 7.00% |
| Mortality Rate Table | Derived using CalERS' Membership Data for all Funds |

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

(2) Net of pension plan investment expenses.

All other actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Discount Rate - The discount rate used to measure the total pension liability was 7.15% for the plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested employer rate plans within the Plan that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested employer rate plans run out of assets. Therefore, the current 7.15 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from the CalPERS website under the GASB 68 section.

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

## 5. DEFINED BENEFIT PENSION PLAN (Continued):

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

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

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

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

| | June 30, 2021 | | |
|---|---|---|---|
| **Asset Class** | **Current Strategic Allocation** | **Real Return Years 1 - 10(a)** | **Real Return Years 11+(b)** |
| Global Equity | 50.0% | 4.80% | 5.98% |
| Global Fixed Income | 28.0% | 1.00% | 2.62% |
| Inflation Assets | 0.0% | 0.77% | 1.81% |
| Private Equity | 8.0% | 6.30% | 7.23% |
| Real Assets | 13.0% | 3.75% | 4.93% |
| Liquidity | 1.0% | 0.00% | -0.92% |

(a) An expected inflation of 2% used for this period

(b) An expected inflation of 3% used for this period

## 5. DEFINED BENEFIT PENSION PLAN (Continued):

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability of each risk pool as of the measurement date, calculated using the discount rate, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage point higher than the current rate.

As of June 30, 2021, the discount rate comparison was the following:

| | Discount Rate - 1% 6.15% | Current Discount Rate 7.15% | Discount Rate + 1% 8.15% |
|---|---|---|---|
| Plan's Net Pension Liability | $ 9,863,537 | $ 5,422,053 | $ 1,752,193 |

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

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

Payable to the Pension Plan – The District had no outstanding amount of contributions to the pension plan required for the fiscal year ended June 30, 2021 and 2020.

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

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

Benefits Provided - The District provides for a medical coverage vesting benefit in accordance with Government Code 22893 to receive retiree medical coverage benefits. Employees retiring with at least 10 years of CalPERS service and at least five years of CalPERS service with the District qualify for medical coverage vesting. The vesting schedule provides 50% of the Region 1 PERS Choice rate to the retiree and eligible survivors and dependents after 10 years of CalPERS service with an additional 5% each year thereafter, up to a maximum of 100% with 20 years of CalPERS service. The District also provides for the medical coverage benefits to be continued under the CalPERS health plan to eligible family members upon the death of an employee prior to retirement. CalPERS survivor benefits have complex eligibility requirements and are determined by CalPERS. The District provides for health and

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

welfare benefits for elected officials and eligible dependents. Active elected officials, officials retiring with at least 12 years of service on the District Board, and their eligible dependents receive 100% of the medical premium paid by the District up to a maximum of the Sacramento area PERS Choice premium rate. District policy also provides for dental and vision coverage benefits. In addition, contributions of $20 per month are deposited on behalf of its elected officials into the District sponsored 457 plan as is required to satisfy the non-PERS employer definition of a contracting District under Government Code Section 229020(b).

Employees Covered - As of the June 30, 2021 actuarial valuation, the following current and former employees were covered by the benefit terms under the Plan:

| | |
|---|---|
| Inactive employees or beneficiaries currently receiving benefit paymen | 19 |
| Inactive employees entitles to but not yet receiving benefit payments | - |
| Active employees | 44 |
| | 63 |

Contributions - The annual contribution is based on an ad-hoc basis, but in the amount sufficient to fully fund the obligation over the period not to exceed 30 years. For the fiscal year ended June 30, 2021 and 2020 the District's contribution was $239,636 and 331,260, respectively. Employees are not required to contribute to the Plan.

Net OPEB Liability - The District's net OPEB liability was measured as of June 30, 2020 and 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of those dates.

Actuarial Assumptions - The District's total OPEB liability was measured as of June 30, 2020 and 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by the actuarial valuation dated June 30, 2019. In the actuarial valuation for the measurement periods June 30, 2020 and 2019, the total OPEB liabilities were determined based on the following actuarial methods and assumptions:

## 6. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continue):

| | |
|---|---|
| Valuation Date | June 30, 2019 |
| Measurement Date | June 30, 2020 |
| Acturial Cost Method | Entry Age |
| Discount Rate | 7.00% |
| Inflation | 2.75% per year |
| Trend | 4.00% per year |
| Payroll Growth | 2.75% per year |
| Investment Rate of Return [1] | 7.00% per year net of expenses |
| Mortality Rate Table | 2014 CalPERS Active and Retiree Mortality for Miscellaneous Employees |
| Pre-Retirement Turnover | 2009 CalPERS' Turnover for Miscellaneous |

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

All the actuarial assumptions, including updates to salary increases, mortality, and retirement rates, used in the June 30, 2020 valuation were based on the results of an actuarial experience study issued by the CalPERS Actuarial Office on January 2014 covering the 14-year period from 1997 to 2011.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major class included in the OPEB plan's target asset allocation as of June 30, 2021 are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| All Equities | 59% | 7.80% |
| All Fixed Income | 25% | 4.50% |
| Real Estate Investment Trusts | 8% | 7.50% |
| All Commodities | 3% | 7.80% |
| Treasury Inflation-Protected Securities | 5% | 3.25% |
| Total | 100% | |

Discount Rate - The discount rate used to measure the total OPEB liability was 7.00%. The discount rate is based on assumed long-term expected rate of return on plan assets assuming 100% funding through

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

CERBT. The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, historic 30-year real rates were used for each asset class, along with assumed long-term inflation assumptions. The expected investment returns were offset by investment expenses of 25 basis points.

Changes in the OPEB Liability - The changes in the net OPEB liability for the Plan are as follows for measurement periods ended June 30, 2020 and 2019:

| | Increase (Decrease) | | |
|---|---|---|---|
| | **Total OPEB Liability (a)** | **Plan Fiduciary Net Position (b)** | **Net OPEB Liability (a) - (b)** |
| Balances at June 30, 2019 | $ 5,948,320 | $ 5,083,702 | $ 864,618 |
| Changes for the year: | | | |
| Service cost | 182,360 | - | 182,360 |
| Interest | 414,661 | - | 414,661 |
| Expected Investment Income | - | 359,272 | (359,272) |
| Employer Contributions to Trust | - | 100,000 | (100,000) |
| Employer Contributions as Benefit Payments | - | 231,260 | (231,260) |
| Actual Benefit Payments from Employer | (231,260) | (231,260) | - |
| Expected Minus Actual Benefit Payments | (276) | - | (276) |
| Administrative expense | - | (2,493) | 2,493 |
| Experience Gains/Losses | - | - | - |
| Investment Gains/Losses | - | (170,755) | 170,755 |
| Net changes | 365,485 | 286,024 | 79,461 |
| Balances at June 30, 2020 | $ 6,313,805 | $ 5,369,726 | $ 944,079 |

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

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

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate – The following presents the net OPEB liability of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement periods ended June 30, 2020 and 2019:

| | June 30, 2020 | | |
|---|---|---|---|
| | 1% Decrease (6%) | Discount Rate (7%) | 1% Increase (8%) |
| Net OPEB liability (asset) | $ 1,752,935 | $ 944,079 | $ 275,831 |

| | June 30, 2019 | | |
|---|---|---|---|
| | 1% Decrease (6%) | Discount Rate (7%) | 1% Increase (8%) |
| Net OPEB liability (asset) | $ 1,638,409 | $ 864,618 | $ 225,764 |

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

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the net OPEB liability of the District if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates for measurement periods ended June 30, 2020 and 2019:

| | June 30, 2020 | | |
|---|---|---|---|
| | **1% Decrease (6%)** | **Valuation Trend (7%)** | **1% Increase (8%)** |
| Net OPEB liability (asset) | $ 198,075 | $ 944,079 | $ 1,836,805 |

| | June 30, 2019 | | |
|---|---|---|---|
| | **1% Decrease (6%)** | **Valuation Trend (7%)** | **1% Increase (8%)** |
| Net OPEB liability (asset) | $ 213,074 | $ 864,618 | $ 1,635,913 |

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

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB - The District recognized OPEB expense of $48,664 and $235,263 for the fiscal year ended June 30, 2021 and 2020, respectively. OPEB expense is comprised of various elements including service cost, interest on total OPEB liability, changes in benefit terms, recognized actuarial gains and losses, investment income, recognized investment gains and losses, and administrative expense, which are all factors used by the actuaries in the calculation of the net OPEB liability.

As of fiscal year ended June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | **Deferred Outflows of Resources** | **Deferred Inflows of Resources** |
|---|---|---|
| Contributions subsequent to the measurement date | $ 239,636 | $ - |
| Experience gains/loss | 75,469 | (238) |
| Net difference between projected and actual earnings on OPEB plan investments | 158,464 | (14,637) |
| Total | $ 473,569 | $ (14,875) |

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

It should be noted that the $239,636 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2020 measurement date was recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2021. Other amounts (i.e. amounts other than contributions subsequent to the measurement date) reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

| Year ended June 30 | Total Deferred Outflows/(Inflows) of Resources | |
|---|---|---|
| 2022 | $ | 48,059 |
| 2023 | | 48,059 |
| 2024 | | 55,373 |
| 2025 | | 48,089 |
| Thereafter | | 19,478 |
| Total | $ | 219,058 |

Payable to the OPEB Plan – The District had no outstanding amount of contributions to the plan required for the fiscal year ended June 30, 2021.

## 7. VOTER LEGISLATION:

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

## 8. COMMITMENTS AND CONTIGENCIES:

The District did not enter into any new construction commitments for the fiscal year ended June 30, 2021. The amounts incurred and recorded for the prior period construction contract was $792,527 with a remaining contract balance of $0. The District entered into construction commitment totaling $1,460,336 for the fiscal year ended June 30, 2020 of which $792,527 was incurred and recorded as of June 30. 2020.

The District has a potential claim outstanding as of June 30, 2021. The District intends to dispute this claim, and, if necessary, defend the matter vigorously. Given the uncertainty of litigation, and based on correspondence with the District's legal counsel, the District deems the liability, if any, and expense, if any, related to the outstanding potential claim as possible, (i.e., neither likely nor unlikely), and the amount, if any, is not reasonably estimable as of June 30, 2021. Accordingly, no provision for any liability related to the outstanding claim has been made in the accompanying financial statements.

## 9. RELATED PARTY TRANSACTIONS:

The District is a member of the California Sanitation Risk Management Authority (CSRMA), a Joint Powers Authority formed under the laws of the California Government Code to participate in a Workers' Compensation Insurance Program. For the years ended June 30, 2021 and 2020, the District paid $87,063 and $69,699, respectively, for insurance coverage under this agreement. There was a retroactive adjustment of $613 from the prior year that were applied to the payment for the fiscal years ended 2021.

## 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 $19.5 million. The limit for both loss of income and extra expense coverage is the actual loss sustained within 12 consecutive months after the date of loss. There are various policy sub-limits based upon the value of individual properties. In addition, the District purchases commercial property insurance for earthquake related property damage with coverage up to a maximum of $5.0 million, subject to a 5% deductible per building. The District also purchases property insurance covering $97,000 for unscheduled contractor's equipment, $122,494 for scheduled equipment, and $100,000 for rented, leased or borrowed equipment.

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

## 11. PROPERTY TAXES:

The District has a gross assessed valuation of $7,128 and $6,766 billion for the fiscal year ended June 30, 2021 and 2020. The tax rate for the administrative expenses of the District was computed by the counties under Proposition 13. The tax rates assessed were within legal limits as allowed by law.

## 12. LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS:

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

In accordance with the Operations, Maintenance and Monitoring Plan, the District has an obligation for the protection and maintenance of the site and files an annual report detailing inspections and maintenance activities at the site with the Department of Toxic Substances Control (DTSC). The Operations, Maintenance, and Monitoring Annual Report for 2020, submitted to DTSC in January 2021, found the vegetative cap, asphalt pavement, storm water damage, and monitoring wells associated with the site to be functioning as designed with no recommended repairs or corrective action required. The District funds the annual costs for its consultant through its operations and maintenance budget. For the fiscal year ended June 30, 2021 and 2020, the budgeted cost were $8,000 and $4,500, and the actual cost incurred were $5,825 and $8,348, respectively.

## 12. SUBSEQUENT EVENTS REVIEW:

District management has evaluated its June 30, 2021 financial statement for subsequent events through January 18 2022, the date the financial statements were available to be issued. Management is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

# REQUIRED SUPPLEMENTARY INFORMATION

**TRUCKEE SANITARY DISTRICT**

**SCHEDULE OF OPEB CONTRIBUTIONS**

**JUNE 30, 2021**

**LAST TEN YEARS***

| | Fiscal Year 2018 | Fiscal Year 2019 | Fiscal Year 2020 | Fiscal Year 2021 |
|---|---|---|---|---|
| Actuarially determined contribution | $ ** | $ ** | $ ** | $ ** |
| Contributions in relation to the actuarially required contribution | (303,054) | (440,289) | (331,260) | (239,636) |
| Contribution deficiency (excess) | $ (303,054) | $ (440,289) | $ (331,260) | $ (239,636) |
| Covered-employee payroll | $ 3,601,983 | $ 3,662,494 | $ 3,978,542 | $ 4,120,774 |
| Contributions as a percentage of covered-employee payroll | 8.41% | 12.02% | 8.33% | 5.82% |

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

** Contribution not provided by Actuary

# TRUCKEE SANITARY DISTRICT

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

## JUNE 30, 2021

## LAST TEN YEARS*

| | Measurement Date June 30, 2017 | Measurement Date June 30, 2018 | Measurement Date June 30, 2019 | Measurement Date June 30, 2020 |
|---|---|---|---|---|
| **Total OPEB liability** | | | | |
| Service cost | $ 155,203 | $ 159,471 | $ 163,856 | $ 182,360 |
| Interest | 341,686 | 362,147 | 384,114 | 414,661 |
| Changes of benefit terms | - | - | - | - |
| Differences between expected and actual experience | - | - | 1,692 | (276) |
| Changes of assumptions | - | - | - | - |
| Experience gains/losses | - | - | 101,729 | - |
| Benefit payments, including refunds of member contributions | (211,340) | (206,384) | (215,289) | (231,260) |
| **Net change in total OPEB liability** | 285,549 | 315,234 | 436,102 | 365,485 |
| **Total OPEB liability - beginning** | 4,911,435 | 5,196,984 | 5,512,218 | 5,948,320 |
| **Total OPEB liability - ending (a)** | $ 5,196,984 | $ 5,512,218 | $ 5,948,320 | $ 6,313,805 |
| **Plan fiduciary net position** | | | | |
| Employer Contributions to Trust | $ 274,038 | $ 100,000 | $ 225,000 | $ 100,000 |
| Employer Contributions as Benefit Payment | 211,340 | 206,384 | 215,289 | 231,260 |
| Actual Investment Income | 379,263 | - | - | - |
| Investment Gains/Losses | - | 36,594 | (36,436) | (170,755) |
| Expected Investment Income | - | 293,460 | 327,635 | 359,272 |
| Benefit Payments from Employer | (211,340) | (206,384) | (215,289) | (231,260) |
| Administrative expense | (1,924) | (7,699) | (983) | (2,493) |
| **Net change in plan fiduciary net position** | 651,377 | 422,355 | 515,216 | 286,024 |
| **Plan fiduciary net position - beginning** | 3,494,754 | 4,146,131 | 4,568,486 | 5,083,702 |
| **Plan fiduciary net position - ending (b)** | $ 4,146,131 | $ 4,568,486 | $ 5,083,702 | $ 5,369,726 |
| **District's net OPEB liability - ending (a) - (b)** | $ 1,050,853 | $ 943,732 | $ 864,618 | $ 944,079 |
| Plan fiduciary net position as a percentage of the total OPEB liability | 79.8% | 82.9% | 85.5% | 85.0% |
| Covered-employee payroll | $ 3,421,184 | $ 3,601,983 | $ 3,662,494 | $ 3,978,542 |
| District's net OPEB liability as a percentage of covered-employee payroll | 30.7% | 26.2% | 23.6% | 23.7% |

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

## TRUCKEE SANITARY DISTRICT

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

## JUNE 30, 2021

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

**Notes to Schedule:**

Changes of benefit terms – There were no changes to benefit terms that applied to all members of the Public Agency Pool during the measurement period of June 30, 2020. However, individual employers in the Plan may have provided a benefit improvement to their employees by granting two years additional service credit to members retiring during a specified time period (a.k.a. Golden Handshakes). Employers that have done so may need to report this information as a separate liability in their financial statement as CalPERS considers such amounts to be separately financed employer-specific liabilities. These employers should consult with their auditors.

Changes of assumption: There were no assumption changes during the measurement period June 30, 2020.

* Fiscal Year 2015 was the first year of implementation, there only 7 years are shown.

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

**TRUCKEE SANITARY DISTRICT**

**SCHEDULE OF PENSION CONTRIBUTIONS**

**JUNE 30, 2021**

| | Fiscal Year 2014-15 (1) | Fiscal Year 2015-16 (1) | Fiscal Year 2016-17 (1) | Fiscal Year 2017-18 (1) | Fiscal Year 2018-19 (1) | Fiscal Year 2019-20 (1) | Fiscal Year 2020-21 (1) |
|---|---|---|---|---|---|---|---|
| Actuarially determined contribution | $ 493,224 | $ (549,492) | $ 581,849 | $ 642,177 | $ 713,094 | $ 826,897 | $ 852,069 |
| Contributions in relation to the actuarially determined contributions | (493,224) | 549,492 | (581,849) | (1,642,177) | (1,713,094) | (1,326,897) | (3,102,069) |
| Contribution deficiencey (excess) | $ - | $ - | $ - | $ (1,000,000) | $ (1,000,000) | $ (500,000) | $ (2,250,000) |
| Covered-employee payroll | $ 3,032,804 | $ 2,978,692 | $ 3,421,184 | $ 3,601,983 | $ 3,662,494 | $ 3,978,542 | $ 4,120,774 |
| Contributions as a percentage of covered-employee payroll | 16.26% | 18.45% | 17.01% | 45.59% | 46.77% | 33.35% | 75.28% |

* Fiscal Year 2015 was the first year of implementation, therefor only 7 years are shown.

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

# SUPPLEMENTARY INFORMATION

# TRUCKEE SANITARY DISTRICT

## STATEMENT OF REVENUES AND EXPENSES
## BUDGET AND ACTUAL

## FOR THE FISCAL YEAR ENDED JUNE 30, 2021

| Account | Budgeted Amounts Original and Final | Actual Amounts | Positive (Negative) Variance With Budget |
|---|---|---|---|
| REVENUES | | | |
| Service Charges | 3,900,000 | 3,911,917 | 11,917 |
| Property Taxes | 6,290,000 | 6,489,280 | 199,280 |
| Connection Fees | 150,000 | 222,933 | 72,933 |
| Inspection Fees | 60,000 | 153,880 | 93,880 |
| Investment Income, net | 240,000 | 195,724 | (44,276) |
| Rents & Leases | 5,000 | 3,513 | (1,487) |
| Gain on Sale of Assets | 10,000 | - | (10,000) |
| Other | 45,000 | 123,695 | 78,695 |
| Total Revenues | 10,700,000 | 11,100,941 | 400,941 |
| EXPENSES | | | |
| Operations & Maintenance | | | |
| Salaries & Wages | 3,064,600 | 3,031,470 | 33,130 |
| Pension Benefits | 1,150,400 | 2,051,645 | (901,245) |
| Health & Other Benefits | 796,300 | 738,649 | 57,651 |
| Payroll Burden | 292,300 | 303,389 | (11,089) |
| Retiree Health/OPEB | 222,000 | 171,129 | 50,871 |
| Repairs & Maintenance | 300,000 | 277,483 | 22,517 |
| Utilities & Phone Services | 144,700 | 154,385 | (9,685) |
| Supplies - Operating & Safety | 71,500 | 79,560 | (8,060) |
| Fuel Expense | 62,000 | 55,571 | 6,429 |
| Outside Services | 111,500 | 72,371 | 39,129 |
| Travel/Training/Mtgs: Gen-Safety-EE Relations | 47,000 | 4,209 | 42,791 |
| Info Tech & Office Expenses | 154,400 | 124,776 | 29,624 |
| Dues, Subscriptions & Memberships | 12,900 | 9,257 | 3,643 |
| Uniforms, Linen & Safety Boots | 18,100 | 9,779 | 8,321 |
| Environmental Permits & Fees | 26,800 | 30,825 | (4,025) |
| Misc-Current YR | 1,700 | - | 1,700 |
| Total Operatings & Maintenance Expenses | 6,476,200 | 7,114,498 | (638,298) |

## TRUCKEE SANITARY DISTRICT

## STATEMENT OF REVENUES AND EXPENSES
## BUDGET AND ACTUAL

## FOR THE FISCAL YEAR ENDED JUNE 30, 2021

| | Budgeted Amounts Original and Final | Actual Amounts | Positive (Negative) Variance With Budget |
|---|---|---|---|
| **General and Administrative** | | | |
| Salaries & Wages | 1,247,900 | 1,254,143 | (6,243) |
| Pension Benefits | 391,700 | 745,503 | (353,803) |
| Health & Other Benefits | 396,100 | 342,857 | 53,243 |
| Payroll Burden | 88,500 | 87,685 | 815 |
| Retiree Health/OPEB | 99,000 | 68,506 | 30,494 |
| Liability Insurance | 150,000 | 148,754 | 1,246 |
| Repairs & Maintenance | 15,000 | 11,368 | 3,632 |
| Utilities & Phone Services | 15,000 | 13,569 | 1,431 |
| Ad Valorem & Sewer Svc Billing Fees to Counties | 135,000 | 142,155 | (7,155) |
| Supplies - Operating & Safety | 25,000 | 2,277 | 22,723 |
| Fuel Expense | 2,000 | 1,202 | 798 |
| Outside Services | 92,000 | 81,277 | 10,723 |
| Legal Fees | 40,000 | 50,396 | (10,396) |
| Travel/Training/Mtgs: Gen-Safety-EE Relations | 99,000 | 17,665 | 81,335 |
| Info Tech & Office Expenses | 20,000 | 13,324 | 6,676 |
| Dues, Subscriptions & Memberships | 27,000 | 25,370 | 1,630 |
| Environmental Permits & Fees | - | - | - |
| LAFCO Expenses | 8,000 | 8,187 | (187) |
| Printing & Publications | 20,000 | 10,655 | 9,345 |
| Misc-Current YR | 7,000 | 4,371 | 2,629 |
| Total General & Administrative Expenses | 2,878,200 | 3,029,262 | (151,062) |
| Total Expenses | 9,354,400 | 10,143,761 | (789,361) |
| Excess Revenues Over Expenses | 1,345,600 | 957,180 | (388,420) |

# TRUCKEE SANITARY DISTRICT

## STATEMENT OF REVENUES AND EXPENSES
## BUDGET AND ACTUAL

## FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**Expenses as shown on Statement of Revenues, Expenses and Changes in Net Position**

| | Operations & Maintenance | General and Administrative | Total |
|---|---|---|---|
| Total Expenses per Schedule 1 | 7,114,498 | 3,029,262 | 10,143,761 |
| Adjustments | | | |
| Pension Expense due to GASB 68 Rollforward | (1,205,757) | (478,940) | (1,684,697) |
| OPEB Expense due to GASB 75 Rollforward | 34,829 | 13,835 | 48,664 |
| California Employers Pension Prefunding Trust (CEPPT) Contributions | 357,800 | 142,200 | 500,000 |
| Project Management & Administration Allocation | (88,810) | - | (88,810) |
| Total Adjustmetns | (901,938) | (322,905) | (1,224,842) |
| Total Fund 1 Expense | 6,212,561 | 2,706,358 | 8,918,919 |
| Fund 5 Expense | - | - | - |
| Fund 10 Expense | (59,077) | - | (59,077) |
| Total Expense | 6,153,484 | 2,706,358 | 8,859,842 |

# OTHER INDEPENDENT AUDITOR'S REPORT

**James Marta & Company LLP**
*Certified Public Accountants*

*Accounting, Auditing, Consulting, and Tax*

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

**Independent Auditor's Report**

Board of Directors
Truckee Sanitary District
Truckee, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Truckee Sanitary District (the "District"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 18, 2022.

### Internal Control Over Financial Reporting

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

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

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

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## Compliance and Other Matters

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

## Purpose of this Report

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

James Marta & Company LLP

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
January 18, 2022