TAHOE-TRUCKEE SANITATION AGENCY

Financial Statements
Supplementary Information
and
Independent Auditor's Report

For the Fiscal Years Ended June 30, 2020 and 2019

Tahoe-Truckee Sanitation Agency

TABLE OF CONTENTS

June 30, 2020 and 2019

DAMORE HAMRIC & SCHNEIDER, INC.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Tahoe-Truckee Sanitation Agency
Truckee, California

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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 respective financial position of the business-type activities of the Tahoe-Truckee Sanitation Agency as of June 30, 2020 and 2019, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 9 and the required supplementary information related to the pension and post-employment healthcare plans on pages 47 through 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Tahoe-Truckee Sanitation Agency's basic financial statements. The supplementary information contained in Schedules 1 and 2, are presented for purposes of additional analysis and are not a required part of the financial statements.

These schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Damore, Hamric + Schneider Inc

DAMORE, HAMRIC & SCHNEIDER, INC.
Certified Public Accountants

Sacramento, California
February 11, 2021

The Tahoe-Truckee Sanitation Agency (Agency) is presenting the following discussion and analysis in order to provide a review of the Agency's financial activities for the fiscal year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with T-TSA's financial statements to gain an understanding of the Agency's overall financial position.

FINANCIAL HIGHLIGHTS

Tahoe-Truckee Sanitation Agency was formed for the purpose of planning, administering, and coordinating wastewater treatment and disposal services throughout the North and West Tahoe and Truckee areas to protect the public health and the environment. Tahoe-Truckee Sanitation Agency is required to meet some of the most stringent discharge requirements in the country. In June of 2008, T-TSA completed an expansion project at a cost of $75 million to increase overall capacity to 9.6 mgd, which should accommodate growth in the service area population through the year 2025. T-TSA entered into a State Revolving Fund loan with the California State Water Resources Control Board on February 24, 2004 to provide financing for the plant capacity expansion. Over the course of the project, the Agency borrowed $50.1 million, which it was scheduled to be repaid over 20 years at an annual payment of approximately $3.2 million.

On February 5, 2020, the Agency paid its SRF loan in full to the State Water Resources Control Board in the amount of $23.2 million by purchasing of Wastewater Revenue Refunding Bonds. The Wastewater Revenue Refunding Bonds were purchased from US Bank National Association for $20.1 million on an eight (8) year term. Interest payments on the Bonds will be payable on January 1st and July 1st of each year, commencing July 1, 2020 ending July 1, 2027. This is a significant factor in assessing the Agency's overall financial activities during the fiscal year ended June 30, 2020.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of the Management Discussion and Analysis report, the Independent Auditor's Report and Basic Financial Statements of the Agency. The financial statements also include the notes to the financial statements, which explain and give further detail of the data provided.

REQUIRED FINANCIAL STATEMENTS

The Agency's financial statements are prepared in conformity with generally accepted accounting principles as they apply to government units on an accrual basis. These statements offer short and long-term financial information about its activities. The Statement of Net Position includes all the Agency's assets and liabilities. It presents the financial position of the Agency and provides information about the nature and amount of resources and obligations at fiscal year-end.

All current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the success of operations over

REQUIRED FINANCIAL STATEMENTS (Continued)

the past year and can be used to determine whether T-TSA has successfully recovered its costs through service charges and property taxes.

The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities. It provides insight into the sources and uses of cash and the changes in cash balances during the reporting period.

NET POSITION

Table A-1 Condensed Statement of Net Position summarizes activities leading to a $0.5 million decrease in Net Position. In FYE 2020, Total Assets and Deferred Outflows of Resources decreased by $4 million primarily due to a $2.5 million additional pension payment and a $2.5 million principal payment made on the revenue bonds prior to year-end, offset by a $1 million increase in Net Capital Assets. The decrease of $3.3 million in Total Liabilities were mainly due to the decrease in the Long-term debt.

Table A-1
Condensed Statement of Net Position

	FYE 6/30/2020	FYE 6/30/2019	Change in Dollars	Percent Change
Current Assets	$ 29,730,944	$ 30,735,002	($ 1,004,058)	-3%
Restricted Assets	17,348,050	22,009,259	(4,661,209)	-21%
Net Capital Assets	83,717,576	84,768,142	(1,050,566)	-1%
Total Assets	130,796,570	137,512,403	(6,715,833)	-5%
Deferred Outflows of Resources	7,009,453	4,378,276	2,631,177	60%
Total Assets and Deferred Outflows of Resources	$ 137,806,023	$ 141,890,679	($ 4,084,656)	-3%
Current Liabilities Unrestricted	$ 2,891,679	$ 2,443,124	$ 448,555	18%
Current Liabilities Restricted	2,267,827	2,213,723	54,104	2%
Long-Term Liabilities	35,288,713	39,102,601	(3,813,888)	-10%
Total Liabilities	40,448,219	43,759,448	(3,311,229)	-8%
Deferred Inflows of Resources	1,122,530	1,347,121	(224,591)	-17%
Total Liabilities and Deferred Inflows of Resources	$ 41,570,749	$ 45,106,569	($ 3,535,820)	-8%
Net Investment in Capital Assets	$ 62,707,429	$ 59,004,467	$ 3,702,962	6%
Restricted for Waste Water Capital Reserve	17,227,640	18,524,510	(1,296,870)	-7%
Restricted for State Loan Repayment		3,038,179	(3,038,179)	-100%
Unrestricted	16,300,205	16,097,273	202,932	1%
Total Net Position	$ 96,235,274	$ 96,784,110	($ 548,836)	-1%

CHANGE IN NET POSITION

Table A-2 represents the change in the Agency's net position. Operating expenses for FYE 2020 increased by approximately $2.5 million from FYE 2019 to $19.2 million, primarily due to the increase in Pension expense, Employee benefits and Contractual services.

The Agency relies on property tax revenue, classified as non-operating revenue, to fund a portion of its general and administrative operating expenses. Property tax revenue increased to $3.8 million FYE 2020 compared to $3.7 million for FYE 2019. T-TSA also relies on connection fee income for capital improvement projects, which decreased to $1.7 million in FYE 2020 from $2.5 million in FYE 2019 due to a decrease in residential and commercial construction projects.

Table A-2

Condensed Statement of Revenues, Expenses and Changes in Net Position

	FYE 6/30/2020	FYE 6/30/2019	Change in Dollars	Percent Change
Operating Revenues/Service Charges	$ 12,710,130	$ 12,642,422	$ 67,708	1%
Operating Expenses	19,247,921	16,779,986	2,467,935	15%
Net Operating Loss	($ 6,537,791)	($ 4,137,564)	($ 2,400,227)	58%
Property Tax Revenues	$ 3,836,779	$ 3,717,746	$ 119,033	3%
Other Non-Operating Revenues & Expenses	422,002	659,136	(237,134)	- 36%
Non-Operating Revenues & Expenses	$ 4,258,781	$ 4,376,882	($ 118,101)	- 3%
(Loss)/Income before Capital Contributions	($ 2,279,010)	$ 239,318	($ 2,518,328)	- 1052%
Capital Contributions/Connection Fees	1,730,174	2,569,638	(839,464)	- 33%
Change in Net Position	($ 548,836)	$ 2,808,956	($ 3,357,792)	- 120%
Net Position, Beginning of Year	$ 96,784,110	$ 93,975,154	$ 2,808,956	3%
Ending Net Position	$ 96,235,274	$ 96,784,110	($ 548,836)	- 1%

BUDGETARY HIGHLIGHTS

Table A-3 demonstrates an overall negative variance in operating expenses. Setting adequate levels of rates and charges have resulted in the Agency's ability to operate and maintain its facilities and to service debt requirements. Actual Operations and Maintenance expenses exceeded budgeted amounts primarily due to a non-budgeted pension expense adjustment offset by a less than anticipated Salaries and wages, Employee benefits and a non-budgeted OPEB expense adjustment.

BUDGETARY HIGHLIGHTS (Continued):

Table A-3
Budgeted Summary

	Budget	Actual	Positive (Negative) Variance
Service & Other Charge Revenue	$ 12,754,000	$ 12,710,130	($ 43,870)
Property & In Lieu Tax Revenue	3,900,000	3,836,779	(63,221)
Total Operating Revenue	$ 16,654,000	$ 16,546,909	($ 107,091)
Operations & Maintenance	$ 12,202,000	$ 12,890,532	($ 688,532)
Administrative & General	3,075,160	3,236,076	(160,916)
Total Operating Expenses	$ 15,277,160	$ 16,126,608	($ 849,448)
Total Positive Variance	$ 1,376,840	$ 420,301	($ 956,539)

CAPITAL ASSETS AND LONG-TERM BEBT

Table A-4 represents the outstanding debt as of June 30, 2020:

Table A-4
Long-Term Debt

	FYE 6/30/2020	FYE 6/30/2019
Loan Payable - State of California	$	$ 25,763,675
Bond Payable	17,930,000	
Bond Premium Payable	3,080,147	
Total	$ 21,010,147	$ 25,763,675

Table A-4 represents the outstanding Long-term debt as of June 30, 2020. The Agency's long-term debt was reduced by approximately $4.7 million from FYE 2019 to FYE 2020. This reduction is attributed to the $2.5 million principal payment made on the revenue bonds prior to year-end in addition to the principal payment made on the loan during the year. Detailed information on long-term obligations can be found in Note 6 to the basic financial statements.

OTHER ECONOMIC FACTORS AFFECTING FUTURE FINANCIAL POSITION AND OPERATIONS

The key economic factors affecting T-TSA's future financial position and operations are primarily attributed to changes in connections, maintaining and performing plant upgrades and replacements, implementing Master Sewer Plan recommendations, changes in inflation, and cost increases of equipment and materials.

The Agency did not receive the full anticipated amount of connection fee revenue and should the growth not occur as anticipated for the upcoming fiscal year, potential capital improvements required for growth may be compromised or require alternative funding options.

As the Master Sewer Plan (MSP) is finalized in the upcoming fiscal year, the recommendations could impact the Agency's financial position and operations. The MSP could:

- Recommend improvements to the existing facilities to include upgrade, replacements, etc. to maintain current operations.
- Recommend expansion improvements to provide service to new customers.

Based on the recommendations and associated schedule, the improvements could require additional projects beyond those intended and planned for the fiscal year. Additionally, based on inflation, there may be impacts to equipment and material costs.

Tahoe-Truckee Sanitation Agency

STATEMENTS OF NET POSITION

June 30, 2020 and 2019

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	2020	2019
Current Assets:		
Cash and Cash Equivalents	$ 28,593,830	$ 29,877,801
Accrued Interest Receivable	110,266	190,029
Accounts Receivable	854,546	254,986
Inventory	110,073	81,996
Due from Other Governmental Agencies	62,229	330,190
Total Current Assets	$ 29,730,944	$ 30,735,002
Restricted Assets:		
Cash and Cash Equivalents	$ 17,260,571	$ 21,862,861
Accrued Interest Receivable	58,215	137,622
Accounts Receivable - Connection Fees	29,264	8,776
Total Restricted Assets	$ 17,348,050	$ 22,009,259
Non-Current Assets:		
Net Capital Assets	$ 83,717,576	$ 84,768,142
Total Assets	$ 130,796,570	$ 137,512,403
Deferred Outflows of Resources:		
Deferred Pension Outflows (Note 7)	$ 6,041,141	$ 3,764,327
Deferred OPEB Outflows (Note 8)	968,312	613,949
Total Deferred Outflows of Resources	$ 7,009,453	$ 4,378,276
Total Assets and Deferred Outflows of Resources	$ 137,806,023	$ 141,890,679

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

Tahoe-Truckee Sanitation Agency

STATEMENTS OF NET POSITION

June 30, 2020 and 2019

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

	2020	2019
Current Liabilities (Payable from Current Assets):		
Accounts Payable	$ 589,958	$ 513,077
Compensated Absences Payable	1,177,636	1,035,232
Accrued Interest Payable		119,681
Bond Premium Payable, Current Portion	197,953	
Bond Payable, Current Portion	588,260	
Loan Payable - State of California, Current Portion		690,808
Accrued Expenses	337,872	84,326
Total Current Liabilities (Payable from Current Assets)	$ 2,891,679	$ 2,443,124
Current Liabilities (Payable from Restricted Assets):		
Accounts Payable	$ 39,351	$
Accrued Interest Payable	81,059	326,889
Bond Premium Payable, Current Portion	540,677	
Bond Payable, Current Portion	1,606,740	
Loan Payable - State of California, Current Portion		1,886,834
Total Current Liabilities (Payable from Restricted Assets)	$ 2,267,827	$ 2,213,723
Long-Term Liabilities:		
Bond Payable, Net of Current Portion	$ 15,735,000	
Bond Premium Payable, Net of Current Portion	2,341,517	
Loan Payable - State of California, Net of Current Portion		23,186,033
Net Pension Liability (Note 7)	16,888,143	15,613,228
Net OPEB Liability (Note 8)	324,053	303,340
Total Long-Term Liabilities	$ 35,288,713	$ 39,102,601
Deferred Inflows of Resources:		
Deferred Pension Inflows (Note 7)	$ 1,122,530	$ 1,271,389
Deferred OPEB Inflows (Note 8)		75,732
Total Deferred Inflows of Resources	$ 1,122,530	$ 1,347,121
Total Liabilities and Deferred Inflows of Resources	$ 41,570,749	$ 45,106,569
Net Position:		
Net Investment in Capital Assets	$ 62,707,429	$ 59,004,467
Restricted for Waste Water Capital Reserve	17,227,640	18,644,191
Restricted for State Loan Repayment		3,038,179
Unrestricted	16,300,205	16,097,273
Total Net Position	$ 96,235,274	$ 96,784,110
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 137,806,023	$ 141,890,679

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

Tahoe-Truckee Sanitation Agency

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the Fiscal Years Ended June 30, 2020 and 2019

	2020	2019
Operating Revenues:		
Service Charges	$ 12,692,383	$ 12,615,757
Other Services	17,747	26,665
Total Operating Revenues	$ 12,710,130	$ 12,642,422
Operating Expenses:		
Operations & Maintenance	$ 12,890,532	$ 10,701,774
Administrative & General	3,236,076	3,065,198
Depreciation	3,121,313	3,013,014
Total Operating Expenses	$ 19,247,921	$ 16,779,986
Operating Loss	($ 6,537,791)	($ 4,137,564)
Non-Operating Revenues (Expenses):		
Property Taxes	$ 3,680,317	$ 3,480,420
Interest Earned	934,998	1,241,116
Interest Expense	(455,577)	(691,629)
In-Lieu Taxes	156,462	237,326
Bond Issuance Costs	(179,609)	
Aid from Other Governmental Agencies	26,102	25,895
Other Income	96,088	83,754
Total Non-Operating Revenues	$ 4,258,781	$ 4,376,882
Net (Loss) /Income Before Capital Contributions	($ 2,279,010)	$ 239,318
Capital Contributions - Connection Fees	1,730,174	2,569,638
Change in Net Position	($ 548,836)	$ 2,808,956
Net Position, Beginning of Year	$ 96,784,110	$ 93,975,154
Net Position, End of Year	$ 96,235,274	$ 96,784,110

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

Tahoe-Truckee Sanitation Agency

STATEMENTS OF CASH FLOWS

For the Fiscal Years Ended June 30, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities:		
Receipts from Customers	$ 12,110,570	$ 12,659,007
Payments to Suppliers	(5,091,944)	(4,512,107)
Payments to Employees	(12,150,050)	(9,132,639)
Net Cash Used by Operating Activities	($ 5,131,424)	($ 985,739)
Cash Flows from Noncapital Financing Activities:		
Property Taxes Collected	$ 3,948,278	$ 3,453,707
Aid from Other Governmental Agencies and Other Income	278,652	346,975
Net Cash Provided by Noncapital Financing Activities	$ 4,226,930	$ 3,800,682
Cash Flows from Capital and Related Financing Activities:		
Acquisition of Capital Assets	($ 2,031,396)	($ 3,791,776)
Payoff of Loan	(23,186,033)	
Principal Payment on Loan	(2,577,642)	(2,512,321)
Principal Payment on Bonds	(2,180,000)	
Proceeds from Bond Issuance, Net	23,190,147	
Interest Payments on Long-Term Debt	(821,088)	(735,176)
Bond Issuance Costs Paid	(179,609)	
Capital Contributions	1,709,686	2,590,104
Net Cash Used by Capital and Related Financing Activities	($ 6,075,935)	($ 4,449,169)
Cash Flows from Investing Activities:		
Interest Received on Investments	$ 1,094,168	$ 1,160,150
Net Cash Provided by Investing Activities	$ 1,094,168	$ 1,160,150
Net Decrease in Cash and Cash Equivalents	($ 5,886,261)	($ 474,076)
Cash and Cash Equivalents, Beginning of Year	51,740,662	52,214,738
Cash and Cash Equivalents, End of Year	$ 45,854,401	$ 51,740,662
Cash and Cash Equivalents Classified in the Balance Sheet:		
Current Assets	$ 28,593,830	$ 29,877,801
Restricted Assets	17,260,571	21,862,861
	$ 45,854,401	$ 51,740,662

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

Tahoe-Truckee Sanitation Agency

STATEMENTS OF CASH FLOWS

For the Fiscal Years Ended June 30, 2020 and 2019

Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	2020	2019
Operating Loss	($ 6,537,791)	($ 4,137,564)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation	$ 3,121,313	$ 3,013,014
Changes in Assets, Deferred Outflows of Resources, Liabilities and Deferred Inflows of Resources:		
(Increase) Decrease in:		
Accounts Receivable	(599,560)	16,585
Inventory	(28,077)	29,141
Deferred Outflows of Resources	(2,631,177)	529,556
Increase (Decrease) in:		
Accounts Payable	76,881	22,576
Accrued Compensated Absences	142,404	120,898
Accrued Expenses	253,546	(52,075)
Deferred Inflows of Resources	(224,591)	156,934
Net Pension Liability	1,274,915	(217,092)
Net OPEB Liability	20,713	(467,712)
Total Adjustments	$ 1,406,367	$ 3,151,825
Net Cash Used by Operating Activities	($ 5,131,424)	($ 985,739)

Capital and Related Financing Activities	2020	2019
Acquisition of Capital Assets	$ 2,070,747	$ 3,788,794
(Increase)/Decrease in Accounts Payable	(39,351)	2,982
Cash Used for Acquisition of Capital Assets	$ 2,031,396	$ 3,791,776

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Organization and Description of the Agency - The Tahoe-Truckee Sanitation Agency was formed in May 1972, under the provisions of the Tahoe-Truckee Sanitation Agency Act that was passed by the State Legislature and signed into law by the Governor on November 17, 1971. The Agency consists of all the area within the following five districts:

(1) Alpine Springs County Water District
(2) North Tahoe Public Utility District
(3) Squaw Valley Public Service District
(4) Tahoe City Public Utility District
(5) Truckee Sanitary District

The Truckee Sanitary District services a portion of Northstar Community Services District through contract.

The Agency was formed to provide major sewage facilities for the North and West Lake Tahoe Area, Alpine Meadows, Squaw Valley, Truckee River, Donner Lake and Martis Valley areas. The facilities of the Agency have been receiving sewage collected by each of the five districts and has been transporting it to its treatment disposal site since February 1978.

The Reporting Entity:

The Agency, for financial purposes, includes all of the funds relevant to the operations of the Tahoe-Truckee Sanitation Agency. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the Tahoe-Truckee Sanitation Agency.

One entity that is not a part of the Agency's reporting entity but was in part, created by the Agency for special purposes, is accounted for as a jointly governed organization. Additional information regarding the Agency's jointly governed organization is provided in Notes 10 and 12. The following is a description of the jointly owned organization in which the Agency participates.

The California Sanitation Risk Management Authority (CSRMA) was created by a Joint Exercise of Powers Agreement between the Tahoe-Truckee Sanitation Agency and several other member Agencies. The Authority is organized under Government Code Section 6500 as a separate and distinct public entity and is governed by a Board comprised of one member appointed by the governing body of each party to the agreement. The governing board appoints its own management and approves its own budget.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

B. Basis of Accounting - The accounting policies of the Agency conform with 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.

Operating revenues are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

The entity is a special purpose governmental enterprise fund that operates as a stand-alone business-type.

C. Financial Statements 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 assets 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 invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets' component as the unspent proceeds. The Agency had debt of $21,010,147 and $25,763,675 as of June 30, 2020 and 2019, respectively.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

C. Financial Statements Presentation (Continued):

- *Restricted* - This component of net position consists of constraints placed on net asset 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 net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

D. Budgetary Control - The Board adopts an operating budget at the beginning of each year.

E. Cash, Certificates of Deposit and Savings - Deposits of the Agency are located at various financial institutions within the state and are recorded at cost. (See Note 2 for additional disclosure of Agency deposits.)

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

F. Investments - Investments in equity securities with readily determinable fair values, open-end mutual funds, and debt securities are valued at their fair values in the balance sheet. Investments in external investment pools are valued on the basis of $1 in the statement of net position.

G. Accounts Receivable - The accounts receivable consists of charges for service fees, connection fees and property taxes. Fees are considered to be fully collectible since the Agency liens the property for unpaid charges. Therefore, no allowance for uncollectible fees is provided.

H. Capital Assets - Capital assets are defined by the Agency as assets with an initial, individual cost of $1,000 or more with an estimated useful life in excess of one year.

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

Utility Plant	20 - 50 Years
Machinery and Equipment	4 - 8 Years

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

H. Capital Assets (Continued):

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.

I. Restricted Net Position - Legally segregated net position is recorded as restricted. The Agency has the following restricted net assets.

- *Waste Water Capital Expense* - The restricted net assets consist of connection fees and the earnings thereon and are restricted for the acquisition and/or construction of sewer infrastructure necessary to increase capacity for service.

- *State Loan* – In the prior year, the restricted net assets consisted of connection fee revenues pledged as collateral for repayment of the loan upon completion of construction. The loan was paid off during the current year.

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

J. Board-Designated Net Position – The Agency has designated a portion of the unrestricted net position for the followings:

Replacement, Rehabilitation and Upgrade Fund – The purpose of the fund is to finance capital improvement projects. Excess resources from operations are transferred into the reserve each year. The minimum target fund balance shall equal to 50% of the projected 5 years of the planned budget for the capital improvement projects. The designated balances as of June 30, 2020 and 2019 were $12,168,515 and $12,046,947, respectively.

Emergency and Contingency Reserve Fund - This legally unrestricted reserve was established in order to provide funds and revenues to manage financial obligations, mitigate risks due to revenue shortfalls or unanticipated expenses, and insulate ratepayers from large, abrupt increases in service charges.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

J. Board-Designated Net Position (Continued):

Emergency and Contingency Reserve Fund (Continued) - The target fund balance is at least $4 million. The designated balances as of June 30, 2020 and 2019 were $4,131,690 and $4,050,326, respectively.

K. Pension - 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 Agency'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 7.

L. Other Post Employment Benefit Plan - 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 Agency's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. 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 8.

M. Compensated Absences - The Agency accrues a liability for unpaid vacation and sick pay in accordance with GASB 16. Sick pay is accumulated at the rate of one day per month. Unused sick leave is to be paid at the rate of 50% upon termination or 100% upon death or retirement. Vacation pay is accumulated at various rates depending on length of service. Vacation pay accrued in excess of 30 days is paid at the end of each year. As of June 30, 2020, and 2019, accrued vacation and vested sick leave benefits totaled $1,177,636 and $1,035,232, respectively.

N. Revenue Recognition - Property Taxes - Property taxes are attached as an enforceable lien on property as of March 1. Taxes are levied on November 1 and February 1 and are due and payable at that time. Property tax revenues are recognized in the fiscal period for which they are levied and in which they become available.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

O. Inventory - Inventory is recorded at lower of cost or market using the first-in, first-out method.

P. Use of Estimates - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities and deferred inflows 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.

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

R. Reclassifications - Certain amounts in fiscal year 2019 have been reclassified to conform to the fiscal year 2020 presentation.

S. Accounting Pronouncements that have been Implemented in the Current Financial Statements – In May 2020, the GASB issued Statement No. 95 – *Postponement of the Effective Dates of Certain Authoritative Guidance*. The Statement was intended to provide relief to governments in light of the COVID-19 pandemic. 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.

T. Deferred Outflow/Deferred Inflow of Resources - Pension - In addition to assets, the financial statements report separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of resources that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. Conversely, deferred inflows of resources represent an acquisition of resources that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Contributions made to the Agency's pension plan after the measurement date but before the fiscal year-end are recorded as a deferred outflow of resources.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

T. Deferred Outflow/Deferred Inflow of Resources – Pension (Continued):

Additional factors involved in the calculation of the Agency's pension expense and net pension liability include the differences between expected and actual experience, changes in assumptions, differences between projected and actual investment earnings, changes in proportion, and differences between the Agency'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 7 for further details related to these pensions deferred outflows and inflows.

V. Deferred Outflow/Deferred Inflow of Resources - OPEB - Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS:

A. Deposits:

The carrying amounts of the Agency's deposits were $1,598,990 and $421,520 while the banks' balances were $1,689,853 and $547,137 for the years ended June 30, 2020 and 2019, respectively. Of these amounts, $500,000 were covered by federal depository insurance. The remaining balances of $1,189,853 and $47,137 for the years ended June 30, 2020 and 2019 were exposed to custodial credit risk with deposits uninsured and collateralized with securities held by the pledging financial institution or its agent but not in the Agency's name.

Custodial Credit Risk - Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code requires California banks, and savings and loans to secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by at

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

A. Deposits (Continued):

depository regulated under state law. The market value of pledged securities in the collateral pool must equal at least 110% of the total amount deposited by public agencies. All deposits in excess of insurance from the Federal Deposit Insurance Corporation are collateralized with eligible securities, as described by the Agency's investment policy, in amounts equal to at least 110% of the Agency's carrying value of the deposits (demand deposits and certificates of deposit).

B. Investments:

Investment in Local Agency Investment Fund - The Agency'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 the management of the fund. The daily operations and responsibilities of LAIF fall under the auspices of the State Treasurer's office. The Agency is a voluntary participant in the investment pool. LAIF, being an investment pool, is subject to fair value measurement; however, as they are not measured at fair value, they are not subject to the fair value hierarchy.

As of the end of the year, the Agency had the following investments:

	2020		2019	
	Carrying Amount	Market Value	Carrying Amount	Market Value
LAIF	$ 44,255,411	$ 44,472,829	$ 51,319,142	$ 51,406,990

Structured notes and asset-backed securities comprised 3.37% and 1.77% of LAIF's total portfolio for all investors as of June 30, 2020 and 2019, respectively. Fair value of a pool share was $1.004912795 and $1.001711790 for those same periods. The cost value of a pool share was constant at $1.00.

Investment Policy - Statutes authorize the Agency 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 and Poor's Corporation, repurchase or reverse repurchase agreements, and the State's Local Agency Investment Fund (LAIF).

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

B. Investments (Continued):

The investment policy set by the directors of the Agency is more conservative than that set by state statute. The policy allows the Agency's treasurer to invest in certificates of deposit, U.S. Treasury Bills and Notes, Placer County Investment Fund, and the LAIF.

Fair Value of Investments - The Agency categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements), other than quoted prices - included within Level 1 that are observable for the asset or liability, either directly or indirectly (Level 2 measurements); and the lowest priority to unobservable inputs (Level 3 measurements).

Deposits and withdrawals in governmental investment pools, such as LAIF are made on the basis of $1 and not fair value. Accordingly, the Agency'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 Agency does not have any investments that are subject to the fair value hierarchy at June 30, 2020 or 2019.

Interest Rate Risk - Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

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. Investments in LAIF are subject to credit risk, with the full faith and credit of the State of California collateralizing these investments. The Agency's investment in LAIF has not been rated by a nationally recognized statistical organization.

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

B. Investments (Continued):

Summary of Cash and Investments:	2020	2019
Cash Deposits	$ 1,598,990	$ 421,520
Investments	44,255,411	51,319,142
Total	$ 45,854,401	$ 51,740,662
Balance Sheet Classification:		
Cash and Cash Equivalents:		
Unrestricted	$ 28,593,830	$ 29,877,801
Restricted	17,260,571	21,862,861
Total	$ 45,854,401	$ 51,740,662

NOTE 3 ACCOUNTS RECEIVABLE:

The accounts receivable at year-end are comprised of the following:

	2020	2019
Service Charges - Regular Collections	$ 462,636	$
Property Taxes	255,446	227,756
Other	136,464	27,230
	$ 854,546	$ 254,986

As mentioned in the Summary of Significant Accounting Policies, certain accounts receivable uncollected at the end of the year are transferred to the county and become recorded liens on the property, thereby substantially reducing the Agency's exposure to uncollectible accounts. These amounts are presented as due from Other Government Agencies, separate from other accounts receivable.

NOTE 4 RESTRICTED ASSETS:

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

	Wastewater Capital Reserve	Total
Cash and Cash Equivalents	$ 17,260,571	$ 17,260,571
Accrued Interest Receivable	58,215	58,215
Accounts Receivable - Connection Fees	29,264	29,264
Total Restricted Assets	$ 17,348,050	$ 17,348,050
Current Liabilities Payable from Restricted Assets:		
Accounts Payable	$ 39,351	$ 39,351
Accrued Interest Payable	81,059	81,059
Loan Premium Payable, Current Portion	540,677	540,677
Current Portion of Long-Term Debt	1,606,740	1,606,740
Total Current Liabilities (Payable from Restricted Assets)	$ 2,267,827	$ 2,267,827

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

	Wastewater Capital Reserve	State Loan	Total
Cash and Cash Equivalents	$ 18,843,917	$ 3,018,944	$ 21,862,861
Accrued Interest Receivable	118,387	19,235	$ 137,622
Accounts Receivable - Connection Fees	8,776		$ 8,776
Total Restricted Assets	$ 18,971,080	$ 3,038,179	$ 22,009,259
Current Liabilities Payable from Restricted Assets:			
Accrued Interest Payable	$ 326,889	$	$ 326,889
Current Portion of Long-Term Debt	1,886,834		1,886,834
Total Current Liabilities (Payable from Restricted Assets)	$ 2,213,723	$ 0	$ 2,213,723

NOTE 5 CAPITAL ASSETS:

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

Capital Assets not being Depreciated:	Beginning Balance	Additions	Deletions	Ending Balance
Land	$ 2,174,726	$	$	$ 2,174,726
Total Capital Assets not being Depreciated	$ 2,174,726	$ 0	$ 0	$ 2,174,726
Capital Assets being Depreciated:				
Sewage Treatment and Collection	$ 143,552,425	$ 1,240,122	$	$ 144,792,547
General Plant and Equipment	4,469,437	778,160	94,632	$ 5,152,965
Vehicles	1,209,947	52,465		$ 1,262,412
Total Capital Assets being Depreciated	$ 149,231,809	$ 2,070,747	$ 94,632	$ 151,207,924
Less Accumulated Depreciation for:				
Sewage Treatment and Collection	$ 61,678,025	$ 2,890,788	$	64,568,813
General Plant and Equipment	3,736,733	223,967	94,632	3,866,068
Vehicles	1,223,635	6,558		1,230,193
Total Depreciation	$ 66,638,393	$ 3,121,313	$ 94,632	$ 69,665,074
Net Capital Assets	$ 84,768,142	($ 1,050,566)	$ 0	$ 83,717,576

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

Capital Assets not being Depreciated:	Beginning Balance	Additions	Deletions	Ending Balance
Land	$ 2,174,726	$ 0	$ 0	$ 2,174,726
Total Capital Assets not being Depreciated	$ 2,174,726	$ 0	$ 0	$ 2,174,726
Capital Assets being Depreciated:				
Sewage Treatment and Collection	$ 140,110,432	$ 3,441,993	$	$ 143,552,425
General Plant and Equipment	4,177,098	346,801	54,462	4,469,437
Vehicles	1,209,947			1,209,947
Total Capital Assets being Depreciated	$ 145,497,477	$ 3,788,794	$ 54,462	$ 149,231,809
Less Accumulated Depreciation for:				
Sewage Treatment and Collection	$ 58,834,055	$ 2,843,970	$	$ 61,678,025
General Plant and Equipment	3,623,066	168,129	54,462	3,736,733
Vehicles	1,222,720	915		1,223,635
Total Depreciation	$ 63,679,841	$ 3,013,014	$ 54,462	$ 66,638,393
Net Capital Assets	$ 83,992,362	$ 775,780	$ 0	$ 84,768,142

NOTE 6 LONG-TERM DEBT:

2020 Wastewater Revenue Refunding Bonds – On February 5, 2020 the Agency issued $20,110,000 of Revenue Bonds through U.S. Bank National Association, bearing interest of 5% and payable semiannually on July 1 and January 1, with the bonds maturing each July 1 from 2020 through 2027. The proceeds of the Bonds were used to (i) pay off an existing loan with the California State Water Resources Control Board and (ii) pay to costs of issuing the Bonds. The outstanding principal balance of the 2020 Wastewater Revenue Refunding Bonds as of June 30, 2020 was $17,930,000.

The Wastewater Revenue Refunding Bonds were issued at a premium of $3,414,724. The premium is being amortized over the life of the Bonds and has a balance of $3,080,147 as of June 30, 2020.

The Revenue Bonds are secured by a first pledge and lien on net revenues, which are defined as all gross revenue received or receivable by the Agency from the ownership and operation of the wastewater enterprise, less the operations and maintenance costs for the fiscal year.

As of June 30, 2020, the annual repayment requirements of the Revenue Bonds were as follows:

Year Ending June 30,	Principal	Interest	Total
2021	$ 2,195,000	$ 841,625	$ 3,036,625
2022	2,305,000	729,125	3,034,125
2023	2,425,000	610,875	3,035,875
2024	2,550,000	486,500	3,036,500
2025	2,680,000	355,750	3,035,750
2026	2,815,000	218,375	3,033,375
2027	2,960,000	74,000	3,034,000
Total Requirements	$ 17,930,000	$ 3,316,250	$ 21,246,250
Less:Current Portion	2,195,000	841,625	3,036,625
Long-Term Portion	$ 15,735,000	$ 2,474,625	$ 18,209,625
Plus Unamortized Premium	3,080,147		3,080,147
Total	$ 21,010,147		$ 24,326,397

The following is a summary of the Agency's long-term obligations for the years ended June 30, 2020 and 2019:

NOTE 6 LONG-TERM DEBT (Continued):

	Balance July 1, 2019	Additions	Retirements	Balance June 30, 2020	Amount Due Within One Year
2020 Revenue Bond Payable	$ 0	$ 20,110,000	$ 2,180,000	$ 17,930,000	$ 2,195,000
Premium on 2020 Revenue Bond	-	3,414,724	334,577	3,080,147	738,630
SRF Loan Payable	$ 25,763,675	$ 0	$ 25,763,675	$ 0	$ 0
Total	$ 25,763,675	$ 23,524,724	$ 28,278,252	$ 21,010,147	$ 2,933,630

	Balance July 1, 2018	Additions	Retirements	Balance June 30, 2019	Amount Due Within One Year
SRF Loan Payable	$ 28,275,996	$ 0	$ 2,512,321	$ 25,763,675	$ 2,577,642

Total interest expense was $455,577 and $691,629 for the years ended June 30, 2020 and 2019, respectively. Interest was expensed to operations for both years.

NOTE 7 PENSION:

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 established by statute. The Plan is included as a pension trust fund in the CalPERS Comprehensive Annual Financial Report, which is available online at www.calpers.ca.gov.

The Plan consists of a miscellaneous pool and a safety pool (referred to as "risk pools"), which are comprised of individual employer miscellaneous and safety rate plans, respectively, including those of the Tahoe-Truckee Sanitation Agency. The Agency's employer rate plans in the miscellaneous risk pool include the Miscellaneous plan (Miscellaneous) and the PEPRA Miscellaneous plan (PEPRA Miscellaneous). The Agency 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 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.

NOTE 7 PENSION (Continued):

General Information about the Pension Plan (Continued):

Benefits Provided (Continued):

All members are eligible for non-duty disability benefits after five years of service. The death benefit is a basic death benefit. The cost-of-living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

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

	Miscellaneous	
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.7% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	52
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	7.954% as of June 30, 2020 and 7.952% as of June 30, 2019	7.25% as of June 30, 2020 and 6.50% as of June 30, 2019
Required employer contribution rates	13.666% as of June 30, 2020 and 12.860% as of June 30, 2019	7.191% as of June 30, 2020 and 7.383% as of June 30, 2019

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

The Agency's contributions to the risk pool in the Plan for the years ended June 30, 2020 and 2019, were as follows:

	Miscellaneous Plan	
	2020	2019
Miscellaneous Risk Pool	$ 4,131,332	$ 1,422,469

NOTE 7 PENSION (Continued):

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions - As of June 30, 2020 and 2019, the Agency reported net pension liability of $16,888,143 and $15,613,228, respectively, for its proportionate share of the net pension liability. The Agency's net pension liability is measured as the proportionate share of the risk pool's net pension liability. GASB 68 indicates that to the extent different contribution rates are assessed based on separate relationships that constitute the collective net pension liability, the determination of the employer's proportionate share of the collective net pension liability should be made in a manner that reflects those relationships. The allocation method used by CalPERS to determine each employer's proportionate share reflects those relationships through the employer rate plans they sponsor within the respective risk pools. An actuarial measurement of the employer's rate plan liability and asset-related information are used where available, and proportional allocations of individual employer rate plan amounts as of the valuation date are used where not available.

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

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

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

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

NOTE 7 PENSION (Continued):

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

The net pension liability for each risk pool at measurement dates June 30, 2019 and 2018, was computed by subtracting the respective risk pool's fiduciary net position from its total pension liability.

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

The Agency's proportionate share of the net pension liability for each risk pool as of the measurement date June 30, 2019, was as follows:

	Miscellaneous
Proportion - June 30, 2018 (Measurement Date)	0.414285%
Proportion - June 30, 2019 (Measurement Date)	0.421729%
Change - Increase	0.007444%

The Agency's proportionate share of the net pension liability for each risk pool as of the measurement date June 30, 2018, was as follows:

	Miscellaneous
Proportion - June 30, 2017 (Measurement Date)	0.401576%
Proportion - June 30, 2018 (Measurement Date)	0.414285%
Change - Increase	0.012709%

The Agency recognized pension expense of $2,980,571 and $1,847,323 for the years ended June 30, 2020 and 2019, respectively. Pension expense is comprised of various elements including service cost, interest, changes in benefit terms, investment experience, and the amortization of deferred outflows and inflows of resources, which are all factors used by the actuaries in the calculation of the net pension liability.

NOTE 7 PENSION (Continued):

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

As of June 30, 2020, the Agency 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	$ 4,131,332	$
Changes of Assumptions	688,272	(233,507)
Differences between Expected and Actual Experiences	939,399	(77,672)
Differences between Actual and Required Contributions		(579,597)
Adjustment due to Differences in Proportions	282,138	
Net Difference between Projected and Actual Earnings on Pension Plan Investments		(231,754)
Total	$ 6,041,141	($ 1,122,530)

It should be noted that a deferred outflow of $4,131,332 was related to contributions subsequent to the measurement date, and the entire amount will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2021. Other amounts (i.e. amounts other than contributions subsequent to the measurement date) reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ending June 30:	Deferred Outflow/(Inflows) of Resources
2021	$ 884,115
2022	(225,007)
2023	84,450
2024	43,721
2025	
Thereafter	
Total	$ 787,279

NOTE 7 PENSION (Continued):

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

As of June 30, 2019, the Agency 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	$ 1,422,469	$
Changes of Assumptions	1,548,611	(363,234)
Differences between Expected and Actual Experiences	498,808	(177,382)
Differences between Actual and Required Contributions		(730,773)
Adjustment due to Differences in Proportions	281,239	
Net Difference between Projected and Actual Earnings on Pension Plan Investments	13,200	
Total	$ 3,764,327	($ 1,271,389)

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

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

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

(2) Net of pension plan investment and Administrative expenses; including inflation.

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

NOTE 7 PENSION (Continued):

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

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

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

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

NOTE 7 PENSION (Continued):

Discount Rate (Continued):

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 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 rates of return are net of administrative expenses.

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

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

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

NOTE 7 PENSION (Continued):

Discount Rate (Continued):

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

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

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

Sensitivity of the Agency's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate:

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

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

	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Plan's Net Pension Liability	$ 24,970,750	$ 16,888,143	$ 10,216,522

NOTE 7 PENSION (Continued):

Sensitivity of the Agency's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate (Continued):

At June 30, 2019, the discount rate comparison was the following:

	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Plan's Net Pension Liability	$ 23,495,174	$ 15,613,228	$ 9,106,816

NOTE 8 OTHER POST-EMPLOYMENT BENEFITS (OPEB):

Plan Description - The Plan provides other post-employment benefits (medical and prescription coverage) to qualified employees, elected officials, and their eligible dependents. The Agency contracts with CalPERS for the medical and prescription coverage (see Note 1L) 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 within the State of California. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office - 400 Q Street - Sacramento, CA 95811.

Benefits Provided - The plan provides post-retirement healthcare benefits to all employees and directors who retire from the Agency on or after attaining age 50 with at least 5 years of service.

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

Participating Active employees	50
Inactive employees or beneficiaries currently receiving benefits	50
Inactive employees entitled to, but not yet receiving benefits*	
	100

* Information was not provided about any terminated, vested employees

NOTE 8 OTHER POST-EMPLOYMENT BENEFITS PLAN (Continued):

Contributions - The annual contribution is made on an ad-hoc basis, but in an amount sufficient to fully fund the obligation over the period not to exceed 30 years. For the fiscal year ended June 30, 2020 and 2019, the Agency's contributions were $619,222 and $613,949, respectively.

Net OPEB Liability - The Agency's net OPEB liability was measured as of June 30, 2019 and 2018; the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of the measurement date based on the following actuarial methods and assumptions:

Actuarial Assumptions:

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

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

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

NOTE 8 OTHER POST-EMPLOYMENT BENEFITS PLAN (Continued):

Net OPEB Liability (Continued):

	June 30, 2020	
Asset Class	Percentage of Portfolio	Assumed Gross Return
All Equities	59.00%	7.7950%
All Fixed Income	25.00%	4.5000%
Real Estate Investment Trusts	8.00%	7.5000%
All Commodities	3.00%	3.2500%
Treasury Inflation Protected Securities (TIPS)	5.00%	3.2500%
	100.00%	

	June 30, 2019	
Asset Class	Percentage of Portfolio	Assumed Gross Return
US Large Cap	43.00%	7.7950%
US Small Cap	23.00%	7.7950%
Long-Term Corporate Bonds	12.00%	5.2950%
Long-term Government Bonds	6.00%	4.5000%
Treasury Inflation Protected Securities (TIPS)	5.00%	7.7950%
US Real Estate	8.00%	7.7950%
All Commodities	3.00%	7.7950%
	100.00%	

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

NOTE 8 OTHER POST-EMPLOYMENT BENEFITS PLAN (Continued):

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

	Increase (Decrease)		
	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2018	$ 10,820,139	$ 10,516,799	$ 303,340
Changes Recognized for the Measurement Period:			
Service Cost	$ 157,380	$	$ 157,380
Interest on Total OPEB Liability	742,374		742,374
Investment Gains/Losses		(87,186)	87,186
Expected Investment Income		736,097	(736,097)
Employer Contributions as Benefit Payments		613,949	(613,949)
Actual Benefit Payments from Employer	(613,949)	(613,949)	
Expected Minus Actual Benefit Payments	26,971		26,971
Experience (Gains)/Losses	354,595		354,595
Administrative Expense		(2,253)	2,253
Net Changes	$ 667,371	$ 646,658	$ 20,713
Balance at June 30, 2019	$ 11,487,510	$ 11,163,457	$ 324,053

	Increase (Decrease)		
	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2017	$ 10,519,889	$ 9,748,837	$ 771,052
Changes Recognized for the Measurement Period:			
Service Cost	$ 153,168	$	$ 153,168
Interest on TOL	721,643		721,643
Employer Contributions		574,561	(574,561)
Expected Investment Income		681,785	(681,785)
Investment Gains/Losses		94,665	(94,665)
Expected Benefit Payment	(574,561)	(574,561)	
Administrative expense		(18,106)	18,106
Other		9,618	(9,618)
Net Changes	$ 300,250	$ 767,962	($ 467,712)
Balance at June 30, 2018	$ 10,820,139	$ 10,516,799	$ 303,340

NOTE 8 OTHER POST-EMPLOYMENT BENEFITS PLAN (Continued):

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

	June 30, 2019		
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net OPEB Liability	$ 1,654,398	$ 324,053	($ 791,644)

	June 30, 2018		
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net OPEB Liability	$ 1,615,112	$ 303,340	($ 788,966)

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

	June 30, 2019		
	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Net OPEB Liability	($ 816,909)	$ 324,053	$ 1,649,678

	June 30, 2018		
	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Net OPEB Liability	($ 920,248)	$ 303,340	$ 1,752,477

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.

NOTE 8 OTHER POST-EMPLOYMENT BENEFITS PLAN (Continued):

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB - For the fiscal year June 30, 2020 and 2019, the Agency recognized OPEB expense of ($409,382) and ($574,633), respectively. OPEB expense is comprised of various elements including service cost, interest on total OPEB liability, changes in benefit terms, recognized actuarial gains and losses, investment income, recognized investment gains and losses, and administrative expense, which are all factors used by the actuaries in the calculation of the net OPEB liability.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB Contributions Subsequent to Measurement Date	$ 619,222	$
Investment Gains/Losses	12,949	
Experience gains and losses	336,141	
Total	$ 968,312	$ 0

It should be noted that the $619,222 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2019 measurement date was recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2020. Other amounts (i.e. amounts other than contributions subsequent to the measurement date) reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Fiscal Year Ending June 30:	Deferred Outflow/(Inflows) of Resources
2021	$ 43,930
2022	43,930
2023	43,930
2024	62,859
2025	45,425
Thereafter	109,016
Total	$ 349,090

NOTE 8 OTHER POST-EMPLOYMENT BENEFITS PLAN (Continued):

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB Contributions Subsequent to Measurement Date	$ 613,949	$
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments		75,732
Total	$ 613,949	$ 75,732

NOTE 9 PROPERTY TAXES:

The Agency has a gross assessed valuation of $20.393 billion and $19.571 billion for the fiscal years ended June 30, 2020 and 2019, respectively. The tax rate for the administration expenses of the Agency was computed by the counties under Proposition 13. The tax rates assessed were within legal limits as allowed by law.

NOTE 10 RISK MANAGEMENT:

The Agency is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In order to protect itself from the above risks, the Agency participates in the CSRMA, a public entity risk pool currently operating as a common risk management and loss prevention program for 62 member sanitation districts. The Agency pays an annual premium to CSRMA for its general insurance coverage. The CSRMA purchases excess insurance ($15,500,000 in 2020 and 2019) to reduce its exposure to large losses on the self-insured program. Members can be assessed a supplemental assessment if funds are insufficient to pay losses. The Agency continues to carry commercial insurance for all other risks of loss, including employee health and accident insurance.

NOTE 11 DEFERRED COMPENSATION PLAN:

The Agency's employees may defer a portion of their compensation under a deferred compensation plan created in accordance with Internal Revenue Code Section 457. Under the plan, participants are not taxed on the deferred portion of their compensation until distributed; distributions may be made only at termination, retirement, death or in an emergency as defined by the plan. The laws governing deferred compensation plan assets dictate that they be held in a Trust for the exclusive benefit of plan participants and their beneficiaries. Since the assets held under the plan are not the Agency's properties and are not subject to claims by general creditors of the Agency, they have been excluded from these financial statements.

NOTE 12 RELATED PARTY TRANSACTIONS:

Because the Agency has entered into a joint powers agreement with others to form a separate entity to provide insurance coverage, the Agency has related party transactions with this entity. During the year ended June 30, 2020, the Agency paid CSRMA $250,408 for insurance coverage. During the year ended June 30, 2019, the Agency paid CSRMA $207,940 for insurance coverage and received $15,591 in dividends. There were no payments of claims which fell under the $25,000 deductible during the years ended June 30, 2020, and 2019.

NOTE 13 PROPOSITION 218:

Proposition 218, which was approved by the voters in November 1996, provides procedures governing an increase in existing fees or the imposition of new fees by the Agency. The Agency complies with its requirements.

NOTE 14 COMMITMENTS AND CONTINGENCIES:

The Agency has entered into construction and consulting commitments totaling $3,444,014 and $1,819,714 for fiscal years ended June 30, 2020 and 2019, respectively. As of June 30, 2020, the amount earned on the contracts was $2,118,152 with a remaining balance of $1,325,861. As of June 30, 2019, the amount earned on the contracts was $299,561 with a remaining balance of $1,520,153.

From time to time, the Agency is involved in litigation, claims and assessments incidental to its operations. Further the Agency may be advised of unasserted possible claims and assessment that may be probable of assertion.

NOTE 14 COMMITMENTS AND CONTINGENCIES (Continued):

As a general policy, the Agency defends matters in which it is a named defendant and, for insurable losses, maintains insurance to protect against adverse judgments, claims or assessments. In the opinion of the Agency, although the adequacy of existing insurance coverage or the outcome of legal proceedings cannot be predicted with certainty, the ultimate liability associated with any claims or litigation in which the Agency is currently involved will not materially affect the Agency's financial condition.

NOTE 15 SUBSEQUENT EVENTS REVIEW:

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

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

Required Supplementary Information

Tahoe-Truckee Sanitation Agency

SCHEDULE OF OPEB CONTRIBUTIONS

As of June 30, 2020

LAST TEN YEARS*

Schedule of OPEB Contributions:	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018
Actuarially Determined Contributions (ADC) **	$	$	$
Contributions in Relation to the ADC	(619,222)	(613,949)	(582,760)
Contribution Deficiency (Excess)	($ 619,222)	($ 613,949)	($ 582,760)
Covered-Employee Payroll	$ 5,053,620	$ 5,021,904	$ 4,670,923
Contributions as a Percentage of Covered -Employee Payroll	12.25%	12.11%	12.48%

Notes to Schedule:

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

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

Tahoe-Truckee Sanitation Agency

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY

As of June 30, 2020

LAST TEN YEARS*

	Measurement Date June 30, 2019	Measurement Date June 30, 2018	Measurement Date June 30, 2017
Total OPEB Liability			
Service Cost	$ 157,380	$ 153,168	$ 149,069
Interest on Total OPEB Liability	742,374	721,643	701,278
Experience (Gains)/Losses	354,595		
Expected Minus Actual Benefit Payments	26,971		
Benefit Payments	(613,949)	(574,561)	(552,462)
Net Change in Total OPEB Liability	$ 667,371	$ 300,250	$ 297,885
Total OPEB Liability- Beginning	10,820,139	10,519,889	10,222,004
Total OPEB Liability - Ending (a)	$ 11,487,510	$ 10,820,139	$ 10,519,889
Plan Fiduciary Net Position			
Employer Contributions	$	$ 574,561	$ 552,462
Actual Investment Income			935,429
Investment Gains/Losses	(87,186)	681,785	
Expected Investment Income	736,097	94,665	
Employer Contributions as Benefit Payments	613,949	(574,561)	
Benefit Payments	(613,949)		(552,462)
Expected Minus Actual Benefit Payments		9,618	
Administrative expense	(2,253)	(18,106)	(7,845)
Net Change in Plan Fiduciary Net Position	$ 646,658	$ 767,962	$ 927,584
Plan Fiduciary Net Position - Beginning	10,516,799	9,748,837	8,821,253
Plan Fiduciary Net Position - Ending (b)	$ 11,163,457	$ 10,516,799	$ 9,748,837
Net OPEB Liability - Ending (a) - (b)	$ 324,053	$ 303,340	$ 771,052
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	97.18%	97.20%	92.67%
Covered-Employee Payroll	$ 5,021,904	$ 4,670,923	$ 4,483,071
Net OPEB Liability as a Percentage of Covered-Employee Payroll	6.45%	6.49%	17.20%

Notes to Schedule:

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

Tahoe-Truckee Sanitation Agency

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

As of June 30, 2020

LAST TEN YEARS*

	Mesurement Date: June 30, 2019	Measurement Date June 30, 2018	Measurement Date June 30, 2017	Measurement Date June 30, 2016	Measurement Date June 30, 2015	Measurement Date June 30, 2014
Plan's Proportion of the Net Pension Liability/(Asset)	0.164810%	0.162026%	0.159624%	0.158585%	0.155568%	0.129553%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	$ 16,888,143	$ 15,613,228	$ 15,830,320	$ 13,722,519	$ 10,678,017	$ 8,171,772
Plan's Covered Payroll	$ 5,069,020	$ 4,670,923	$ 4,483,071	$ 4,318,577	$ 4,378,738	$ 4,378,738
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	333.16%	334.26%	353.11%	317.76%	247.26%	186.62%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Agency's Total Pension Liability	71.90%	73.20%	72.58%	73.79%	78.53%	83.26%

<u>Notes to Schedule</u>:

Change of benefit terms – In 2020, there were no changes to the benefit terms.

Changes in assumptions – The inflation rate, payroll growth rate and the investment rate of return changed during the measurement period June 30, 2019.

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

Tahoe-Truckee Sanitation Agency

SCHEDULE OF THE AGENCY'S PENSION PLAN CONTRIBUTIONS

As of June 30, 2020

LAST TEN YEARS*

Schedule of Pension Plan Contributions:	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015
Contractually Required Contribution (Actuarially Determined)	$ 1,620,437	$ 1,422,469	$ 1,197,164	$ 1,081,422	$ 1,081,422	$ 758,609
Actual Contributions During the Measurement Period	(4,131,332)	(1,422,469)	(1,197,164)	(1,081,422)	(1,081,422)	(758,609)
Contribution Deficiency (Excess)	($ 2,510,895)	$ 0	$ 0	$ 0	$ 0	$ 0
Covered Payroll	$ 5,053,620	$ 5,069,020	$ 4,670,923	$ 4,483,071	$ 4,318,577	$ 4,378,738
Contributions as a Percentage of Covered Payroll	81.75%	28.06%	25.63%	24.12%	25.04%	17.32%
Contribution Valuation Date	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013

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

SUPPLEMENTARY INFORMATION

COMPARISON OF BUDGET TO ACTUAL

For the Fiscal Year Ended June 30, 2020

Revenues:	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Positive (Negative) Variance With Budget
Service and Other Charges	$ 12,754,000	$ 12,754,000	$ 12,710,130	($ 43,870)
Property and In Lieu Taxes	3,900,000	3,900,000	3,836,779	(63,221)
	$ 16,654,000	$ 16,654,000	$ 16,546,909	$ (107,091)
Expenses:				
Operations and Maintenance	$ 12,202,000	$ 12,202,000	$ 12,890,532	($ 688,532)
Administrative and General	3,075,160	3,075,160	3,236,076	(160,916)
	$ 15,277,160	$ 15,277,160	$ 16,126,608	($ 849,448)
Transfers from Rehab Reserve	$	$	$	$
Total Positive Variance	$ 1,376,840	$ 1,376,840	$ 420,301	$ 420,301

NOTE: Budget versus actual schedule includes only budgeted items.

Tahoe-Truckee Sanitation Agency

SCHEDULE 2

COMPARISON OF BUDGET APPROPRIATIONS TO ACTUAL EXPENDITURES

For the Fiscal Year Ended June 30, 2020

	OPERATIONS AND MAINTENANCE			ADMINISTRATIVE AND GENERAL			TOTALS		
	Budgeted Appropriations	Actual Expenditures	Positive/ (Negative) Variances	Budgeted Appropriations	Actual Expenditures	Positive/ (Negative) Variances	Budgeted Appropriations	Actual Expenditures	Positive/ (Negative) Variances
Salaries and Wages	$ 4,790,000	$ 4,367,255	422,745	$ 1,040,000	$ 1,049,647	(9,647)	5,830,000	5,416,902	413,098
Employee Benefits	2,909,000	2,696,292	212,708	753,450	636,332	117,118	3,662,450	3,332,624	329,826
OPEB Expense *		(368,444)	368,444		(40,938)	40,938		(409,382)	409,382
Pension Expense *		2,148,003	(2,148,003)		238,667	(238,667)		2,386,670	(2,386,670)
Directors' Fees				7,000	5,500	1,500	7,000	5,500	1,500
Gas and Oil	71,000	53,051	17,949	1,950	5,735	(3,785)	72,950	58,786	14,164
Insurance				175,000	144,544	30,456	175,000	144,544	30,456
Memberships	15,500	11,366	4,134	27,710	26,995	715	43,210	38,361	4,849
Office Expense	152,000	141,012	10,988	132,850	51,707	81,143	284,850	192,719	92,131
Permits and Licences	176,000		176,000		175,039	(175,039)	176,000	175,039	961
Contractual Services	1,711,500	1,589,937	121,563	154,500	148,515	5,985	1,866,000	1,738,452	127,548
Professional Services	650,000	547,613	102,387	644,000	652,867	(8,867)	1,294,000	1,200,480	93,520
Supplies, Repairs and Maintenance	711,500	772,441	(60,941)				711,500	772,441	(60,941)
Conferences and Training	62,500	18,901	43,599	31,500	31,253	247	94,000	50,154	43,846
Uncollectible Accounts				2,000	53	1,947	2,000	53	1,947
Utilities	953,000	913,105	39,895	105,200	110,160	(4,960)	1,058,200	1,023,265	34,935
Totals	$ 12,202,000	$ 12,890,532	($ 688,532)	$ 3,075,160	$ 3,236,076	($ 160,916)	$ 15,277,160	$ 16,126,608	($ 849,448)

* Not budgeted