TAHOE-TRUCKEE SANITATION AGENCY

BASIC FINANCIAL STATEMENTS

Year ended June 30, 2024

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Basic Financial Statements

Year ended June 30, 2024

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Davis Farr LLP
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Independent Auditor's Report

Board of Directors
Tahoe-Truckee Sanitation Agency
Truckee, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Tahoe-Truckee Sanitation Agency (the "Agency") as of and for the year June 30, 2024, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the Agency, as of June 30, 2024, and the respective changes in financial position and, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

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

Report on Summarized Comparative Information

We have previously audited the Agency's 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 10, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The *comparison of budget to actual statements* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The *comparison of budget to actual statements* 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 *comparison of budget to actual statements* is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2025 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of 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 the Agency's internal control over financial reporting and compliance.

Davis Farr LLP

Irvine, California
January 8, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Governmental Accounting Standards Board Statement Number 34 requires that management prepare a Management's Discussion and Analysis (MDA) section as a component of the audited financial statements. The Tahoe-Truckee Sanitation Agency (T-TSA or Agency) MDA reviews the Agency's financial activities for the fiscal year ended June 30, 2024. Readers are encouraged to consider the information presented here in conjunction with T-TSA's financial statements to understand the Agency's overall financial position.

FINANCIAL HIGHLIGHTS

T-TSA was formed to plan, administer, and coordinate wastewater treatment and disposal services throughout the North and West Tahoe and Truckee areas to protect public health and the environment. The Agency is required to meet some of the most stringent discharge requirements in the country. In June of 2008, an expansion project was completed for $75.0 million to increase overall capacity to 9.6 million gallons per day (MGD), which should accommodate growth in the service area population for the immediate future. T-TSA entered into a State Revolving Fund (SRF) loan with the California State Water Resources Control Board on February 24, 2004, to finance the plant capacity expansion. Throughout the project, the Agency borrowed $50.1 million, which 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 for $23.2 million by purchasing 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 in January and July of each year, commencing July 2020 and ending July 2027.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of the Independent Auditor's Report, Management's Discussion and Analysis report, and Basic Financial Statements of the Agency. The financial statements also include 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, deferred outflows of resources, liabilities, and deferred inflows of resources. It presents the Agency's financial position and provides information about the nature and amount of resources and obligations at fiscal year-end.

The Statement of Revenues, Expenses, and Changes in Net Position accounts for all current year's revenues and expenses. This statement measures the success of operations over the past year. It 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, payments, and net changes in cash resulting from operating, investing, and financing activities. It provides insight into cash sources, uses and changes in cash balances during the reporting period.

Condensed Statement of Net Position: Table A-1

The total net position of the Agency increased by $2.7 million to $105.1 million. This increase is primarily attributed to changes in total assets, liabilities, and deferred outflows/inflows, as follows:

- Total assets increased by $1.7 million, driven by an increase in service charges and the growth of investment portfolios. The annual depreciation of assets partially offset this increase.
- Deferred outflows of resources decreased by $1.2 million, primarily due to a $2.4 million reduction in pension deferred outflows offset by a $1.2 million increase in OPEB deferred outflows. This represents a change of related costs from what was anticipated, which have yet to be accounted for under accounting rules.
- Total liabilities decreased by approximately $0.8 million due to the annual debt service payment, offset by increases to both the net pension and OPEB liabilities.
- Deferred inflows of resources decreased by $2.2 million based on investment performance and the difference between expected and actual liability.

Table A-1

Condensed Statement of Net Position

	FYE 6/30/2024	FYE 6/30/2023	Change in Dollars	Percent Change
Current Assets	$ 24,123,398	$ 18,795,712	$ 5,327,686	28%
Restricted Assets	17,814,595	20,824,441	(3,009,846)	-14%
Net Capital Assets	81,903,952	82,546,934	(642,982)	-1%
Total Assets	123,841,945	122,167,087	1,674,858	1%
Deferred Outflows of Resources	12,159,788	13,349,060	(1,189,272)	-9%
Total Assets and Deferred Outflows of Resources	$ 136,001,733	$ 135,516,147	$ 485,586	0%
Current Liabilities Unrestricted	$ 2,079,341	$ 2,685,051	($ 605,710)	-23%
Current Liabilities Restricted	541,641	503,583	38,058	8%
Long-Term Liabilities	26,825,258	27,026,347	(201,089)	-1%
Total Liabilities	29,446,240	30,214,981	(768,741)	-3%
Deferred Inflows of Resources	1,438,362	2,870,493	(1,432,131)	-50%
Total Liabilities and Deferred Inflows of Resources	$ 30,884,602	$ 33,085,474	($ 2,200,872)	-7%
Net Investment in Capital Assets	$ 72,753,303	$ 70,199,906	$ 2,553,397	4%
Restricted for Waste Water Capital Reserve	17,272,954	20,320,858	(3,047,904)	-15%
Unrestricted	15,090,874	11,909,909	3,180,965	27%
Total Net Position	$ 105,117,131	$ 102,430,673	$ 2,686,458	3%
Total Liabilities and Deferred Inflows of Resources Plus Net Position	$ 136,001,733	$ 135,516,147	$ 485,586	0%

Change in Net Position: Table A-2

The Agency's ending net position increased by $2.7 million for FY24, an increase of $0.5 million from FY23. The change in net position considers total operating revenue minus operating expenses, offset by non-operating revenues and capital contributions.

- Operating revenues increased by $3.8 million in FY24, primarily due to increased service charges. Operating expenses increased by $4.8 million over FY23 due to an increase in net pension expense, resulting in a net operating loss of $1.0 million.
- The Agency receives non-operating revenues, such as property tax revenue, to fund a portion of its operating expenses. Property tax revenue increased by $0.1 million in FY24. Additionally, other non-operating revenue grew by $1.7 million, mainly due to the increase in the fair value of investments. These changes helped offset the net operating loss.
- The Agency also depends on connection charge income for funding capital improvement projects, which amounted to $1.1 million in FY24. This income is not classified as operating revenue but supports long-term development.

Table A-2

Condensed Statement of Revenues, Expenses and Changes in Net Position

	FYE 6/30/2024	FYE 6/30/2023	Change in Dollars	Percent Change
Operating Revenues/Service Charges	$ 16,978,602	$ 13,165,905	$ 3,812,697	29%
Operating Expenses	22,844,708	18,056,554	4,788,154	27%
Net Operating Loss	($ 5,866,106)	($ 4,890,649)	($ 975,457)	20%
Property Tax Revenues (includes In-Lieu)	$ 4,807,245	$ 4,687,441	$ 119,804	3%
Other Non-Operating Revenues & Expenses	2,621,734	961,215	1,660,519	173%
Non-Operating Revenues & Expenses	$ 7,428,979	$ 5,648,656	$ 1,780,323	32%
(Loss)/Income before Capital Contributions	$ 1,562,873	$ 758,007	$ 804,866	106%
Capital Contributions/Connection Fees	1,123,584	1,396,170	(272,586)	- 20%
Change in Net Position	2,686,457	$ 2,154,177	$ 532,280	25%
Net Position, Beginning of Year	$ 102,430,673	$ 100,276,496	$ 2,154,177	2%
Ending Net Position	$ 105,117,130	$ 102,430,673	$ 2,686,457	3%

Debt Administration Overview: Table A-3

Table A-3 outlines the Agency's long-term debt as of June 30, 2024. The Agency's scheduled annual bond payment reduced Long-term debt by approximately $2.9 million from FY23 to FY24.

Table A-3
Long-Term Debt

	2024	2023
Bond Payable, Net of Current Portion	$ 8,455,000	$ 11,005,000
Bond Premium Payable, Net of Current Portion	352,242	695,649
Total	$ 8,807,242	$ 11,700,649

Other Economic Factors Affecting T-TSA's Future Financial Position and Operations

Several key economic factors are influencing T-TSA's future financial outlook and operations. These factors include changes in demand for services (connections), maintenance and capital improvement needs, and increasing equipment and materials costs. Here's a breakdown of the primary factors:

Changes in Connections:

- As the number of connections (new customers or facilities being connected to the system) increases, sewer service charge revenues and connection charges will rise. This will positively impact the Agency's overall financial health.

Operational Maintenance of Facilities:

- The ongoing maintenance and operational costs of the Agency's facilities (such as wastewater treatment plants, pump stations, etc.) are a significant factor. As facilities age and regulations evolve, maintenance and repair costs will increase. These costs must be managed carefully to maintain the Agency's financial sustainability.

Capital Improvement Projects:

- The Agency has a Capital Improvement Program (CIP) in place, guided by the recommendations in the Master Sewer Plan (MSP) and IT/Scada Master Plan, both of which were approved by the Board in FY22. These plans outline necessary infrastructure upgrades and technology investments over the coming years.
- As capital projects progress, the costs associated with construction and project execution will affect both short-term and long-term financial planning. The Agency will need to balance these capital needs with available funding sources.

Cost Increases in Equipment and Materials:

- The rising costs of equipment and materials (such as pipes, pumps, treatment chemicals, and technology) are another critical factor. Inflation and supply chain disruptions can increase capital projects and day-to-day operations costs. The Agency may need to adjust its financial plans to account for these increased expenditures.

Rate Increases and Fee Adjustments:

- Sewer Service Charges and Connection Charges are the Agency's primary revenue sources. HDR Engineering Inc.'s rate studies have provided insights into the necessary adjustments to these charges to ensure the Agency continues to meet its financial needs.
- In 2023, the T-TSA Board approved a 30% rate increase for fiscal year 2024, a significant adjustment that will help meet operational and capital needs.
- Looking further ahead, future rates are projected to double by FY28 under Proposition 218 (which governs utility rate increases in California). This is due to the increasing demand for infrastructure maintenance, capital projects, and operational costs.
- The Connection Fee Study was completed in FY24 with increased changes effective January 1, 2025. These increases are part of a broader strategy to reach the Agency's target fund balances, which its fund policy requires.

Funding Sources:

- To meet financial goals, the Agency plans to leverage a combination of funding sources:
  - Rate increases: As noted, rate increases will play a significant role in increasing revenue.
  - Grants: The Agency may pursue state or federal grants to support capital improvement projects, reducing the burden on ratepayers.
  - Debt financing: Borrowing through bonds or other debt instruments may be used to fund large capital projects. However, taking on debt also introduces the risk of future interest payments, which must be managed within the Agency's budget.

Conclusion:

T-TSA's future financial position will be shaped by a combination of growth in connections, rising operational and capital costs, and the strategic rate adjustments and charges needed to support operations. The 30% rate increase in FY24 was a significant step toward meeting this objective, and the anticipated doubling of rates by FY28 will ensure that the Agency can continue to meet its financial and infrastructure needs. Additionally, completing the Connection Fee Study and adjusting connection charges will further help align the Agency's revenues with its long-term financial goals. The balancing of rate increases, grants, and debt financing will be critical to maintaining fiscal sustainability while investing in necessary improvements.

BASIC FINANCIAL STATEMENTS

TAHOE-TRUCKEE SANITATION AGENCY

Statement of Net Position

June 30, 2024
(with comparative information for prior year)

	2024	2023
Assets:		
Current Assets:		
Cash and investments (note 2)	$ 23,041,905	17,762,514
Accrued interest receivable	107,628	127,118
Account receivable (note 3)	827,673	720,386
Prepaid expenses	-	26,211
Inventory	146,192	159,483
Due from other governmental agencies	-	-
Total Current Assets	24,123,398	18,795,712
Restricted Assets:		
Cash and investments (note 2)	17,777,205	20,683,518
Accrued interest receivable	19	103,565
Accounts receivable - connection fees	37,371	37,358
Total Restricted Assets	17,814,595	20,824,441
Non-Current Assets:		
Capital assets not being depreciated (note 4)	2,977,916	4,428,636
Capital assets, net of accumulated depreciation (note 4)	78,926,036	77,920,753
Net OPEB asset (note 7)	-	197,545
Total Assets	123,841,945	122,167,087
Deferred Outflows of Resources:		
Deferred pension outflows (Note 6)	9,097,325	11,510,185
Deferred OPEB outflows (Note 7)	3,062,463	1,838,875
Total Deferred Outflows of Resources	12,159,788	13,349,060
Total Assets and Deferred Outflows Resources	$ 136,001,733	135,516,147

See accompanying notes to the basic financial statements.

TAHOE-TRUCKEE SANITATION AGENCY

Statement of Net Position

June 30, 2024
(with comparative information for prior year)

Liabilities:	2024	2023
Current Liabilities (Payable from Current Assets):		
Accounts payable	$ 557,700	664,136
Compensated absences payable	635,672	1,220,937
Accrued payroll liabilities	282,922	215,092
Accrued expenses	603,047	584,886
Total Current Liabilities (Payable from Current Assets):	2,079,341	2,685,051
Current Liabilities (Payable from Restricted Assets):		
Accounts payable	198,234	54,749
Bonds premium payable, current portion (Note 5)	343,407	448,834
Total Current Liabilities (Payable from Restricted Assets):	541,641	503,583
Long-Term Liabilities:		
Bond payable, net of current portion (note 5)	8,455,000	11,005,000
Bond premium payable, net of current portion (Note 5)	352,242	695,649
Compensated absences payable, net of current portion	541,498	-
Net pension liability (Note 6)	16,531,363	15,325,698
Net OPEB liability (Note 7)	945,155	-
Total Long-Term Liabilities	26,825,258	27,026,347
Deferred Inflows of Resources:		
Deferred pension inflows (Note 6)	948,905	2,267,273
Deferred OPEB inflows (Note 7)	489,457	603,220
Total Deferred Inflows of Resources	1,438,362	2,870,493
Total Liabilities and Deferred Inflows of Resources	30,884,602	33,085,474
Net Position:		
Net investment in capital assets	72,753,303	70,199,906
Restricted for Waste Water Capital Reserve	17,272,954	20,320,858
Unrestricted	15,090,874	11,909,909
Total Net Position	105,117,131	102,430,673
Total Liabilities and Deferred Inflows of Resources and Net Position	$ 136,001,733	135,516,147

See accompanying notes to the basic financial statements.

TAHOE-TRUCKEE SANITATION AGENCY

Statement of Revenues, Expenses, and Changes in Net Position

For the Year Ended June 30, 2024 (with comparative information for prior year)

	2024	2023
Operating Revenues:		
Service charges	$ 16,955,066	$ 13,103,899
Other services	23,537	62,006
Total Operating Revenues	16,978,603	13,165,905
Operating Expenses:		
Administrative	3,768,671	2,532,724
Operations	8,370,733	6,635,994
Engineering	1,808,864	1,380,968
Maintenance	5,294,736	4,118,963
Depreciation	3,601,704	3,387,905
Total Operating Expenses	22,844,708	18,056,554
Operating Loss	(5,866,105)	(4,890,649)
Non-Operating Revenues (Expenses):		
Property taxes	4,807,245	4,560,988
Investment income (loss)	2,479,837	926,348
Interest expense	(99,425)	(121,045)
In-Lieu taxes	-	126,453
Aid from other governmental agencies	24,261	26,843
Other income	217,061	129,069
Total Non-Operating Revenues	7,428,979	5,648,656
Net (Loss)/Income Before Capital Contributions	1,562,874	758,007
Capital contributions - connection fees	1,123,584	1,396,170
Change in Net Position	2,686,458	2,154,177
Net Position, Beginning of Year	102,430,673	100,276,496
Net Position, End of Year	$ 105,117,131	$ 102,430,673

See accompanying notes to the basic financial statements.

TAHOE-TRUCKEE SANITATION AGENCY

Statement of Cash Flows

Year ended June 30, 2024
(with comparative information for the prior year)

	2024	2023
Cash Flows from Operating Activities:		
Receipts from customers	$ 17,088,364	$ 13,551,569
Payments to suppliers	(12,923,426)	(8,689,227)
Payment to employees	(4,095,297)	(7,505,587)
Cash Used by Operating Activities	69,641	(2,643,245)
Cash Flows From Noncapital Financing Activities:		
Property taxes collected	4,807,245	4,560,988
Aid from other governmental agencies and other income	24,261	26,843
Net Cash Provided by Noncapital Financing Activities	4,831,506	4,587,831
Cash Flows from Capital and Related Financing Activities:		
Acquisition of capital assets	(3,156,267)	(2,589,795)
Principal payment on capital debt	(2,550,000)	(2,425,000)
Interest payments on long-term debt	(548,259)	(671,097)
Capital contributions	1,123,584	1,396,170
Net Cash Used by Capital and Related Financing Activities	(5,130,942)	(4,289,722)
Cash Flows from Investing Activities:		
Interest received on investments	2,602,873	773,319
Net Cash Provided by Investing Activities	2,602,873	773,319
Net Decrease in Cash and Cash Equivalents	2,373,078	(1,571,817)
Cash and Cash Equivalents, Beginning of Year	38,446,032	40,017,849
Cash and Cash Equivalents, End of Year	40,819,110	38,446,032
Cash and Cash Equivalents Classified in the Balance Sheet:		
Current assets	23,041,905	17,762,514
Restricted assets	17,777,205	20,683,518
	$ 40,819,110	$ 38,446,032

See accompanying notes to the basic financial statements.

TAHOE-TRUCKEE SANITATION AGENCY

Statement of Cash Flows

Year Ended June 30, 2024
(with comparative information for the prior year)

	2024	2023
Reconciliation of Operating Loss to Net Cash Used by Operating Activities		
Operating Loss	$ (5,866,105)	$ (4,890,649)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Other income	217,061	255,522
Depreciation	3,601,704	3,387,905
Changes in Assets, Deferred Outflows of Resources, Liabilities and Deferred Inflows of Resources:		
(Increase) Decrease in:		
Accounts receivable	(107,300)	129,849
Due from other governments	-	293
Prepaid expenses	26,211	8,445
Inventory	13,291	(28,436)
Net OPEB asset	197,545	2,782,635
Deferred outflows of resources	1,189,272	(7,261,259)
Increase (Decrease) in:		
Accounts payable	37,049	339,653
Accrued compensated absences	(43,767)	(2,103)
Accrued payroll	67,830	(226,059)
Accrued expenses	18,161	(116,624)
Deferred inflows of resources	(1,432,131)	(6,865,465)
Net pension liability	1,205,665	9,843,048
Net OPEB liability	945,155	-
Total Adjustments	5,935,746	2,247,404
Net Cash Used by Operating Activities	$ 69,641	$ (2,643,245)

There were no significant noncash investing and financing activities for the years ended June 30, 2024 and 2023.

See accompanying notes to the basic financial statements.

(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.

(b) 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. 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.

(1) <u>Summary of Significant Accounting Policies (Continued)</u>

(c) <u>Basis of Presentation</u>

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 nonoperating expenses.

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

(d) <u>Financial Statements Presentation</u>

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.

- *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."

(1) Summary of Significant Accounting Policies (Continued)

(e) Budgetary Control

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

(f) Restricted Investments

Various resources of the Agency are limited as to their use by law or by debt covenants and are classified on the balance sheet as restricted investments. Undisbursed debt proceeds are restricted for repayment of the debt and project costs. Also, fees imposed on new real estate development are restricted by law for the construction of capital improvements which benefit the development projects.

(g) Inventories

Material and supplies inventory consists primarily of materials used in the construction and maintenance of the water system and is valued at the lower of cost, using the average cost method, or market. Inventory uses the consumption method whereby they are reported as an asset and expensed as they are consumed.

Water inventory consists of native groundwater and purchased water holdings in the USGS Well. Water inventory is valued at cost using the first-in/first-out (FIFO) method.

(h) Cash and Cash Equivalents

All cash and investments are held in the Agency's cash management pool. The Agency considers all highly liquid investments with a maturity of three months or less to be cash equivalents. Therefore, for purposes of the statement of cash flows, the Agency considers the entire pooled cash and investment balance to be cash and cash equivalents.

(i) Investments

Investments are reported at fair value, which is the amount at which financial instruments could be exchanged in a current transaction between willing parties. Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset’s fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Management reviews investments for events that might affect fair value measurements of investments on a monthly basis. The evaluation is performed at the lowest level of identifiable unit of account.

(1) Summary of Significant Accounting Policies (Continued)

(j) Fair Value Hierarchy

The Agency categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. In determining fair value, the Agency's custodians use various methods including market and income approaches. Based on these approaches, the Agency's custodians utilize certain assumptions that market participates would use in pricing the asset or liability. The Agency's custodians utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

Various inputs are used in determining the value of the Agency's investments and other financial instruments. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. These inputs are summarized in the three broad levels: Level 1 – quoted prices in active markets for identical investments, Level 2 – other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.) and Level 3 – significant unobservable inputs (including the Agency's own assumptions in determining the fair value of instruments).

(k) 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.

(l) Capital Assets

The capitalization threshold for the Agency is $15,000. Capital assets are stated at cost, less accumulated depreciation and amortization computed by the straight-line method. Donated assets are measured at estimated acquisition value. Estimated useful lives are as follows:

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

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 expenses as incurred and major renewals and betterments are capitalized.

(m) Restricted Net Position

Legally segregated net position is recorded as restricted. The Agency has the following restricted net assets:

(1) Summary of Significant Accounting Policies (Continued)

- *Waste Water Capital Reserve*– 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.

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.

(n) 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 five years of the planned budget for the capital improvement projects. The designated balance as of June 30, 2024 was $1,023,078

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.

The target fund balance is at least $4 million. The designated balances as of June 30, 2024 was $4,239,676.

(o) 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.

(1) Summary of Significant Accounting Policies (Continued)

(o) Pension (continued)

The following timeframes are used for pension reporting:

Valuation Date	June 30, 2022
Measurement Date	June 30, 2023
Measurement Period	June 30, 2022 to June 30, 2023

(p) 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.

Generally accepted accounting principles require that the reported results must pertain to the liability information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2023
Measurement Date	June 30, 2023
Measurement Period	June 30, 2022 to June 30, 2023

(q) Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. The Agency has two items that qualify for reporting in this category, deferred outflows related to pensions and OPEB.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period and will not be recognized as an inflow (revenue) until that time. The Agency has two items that qualify for reporting in this category, deferred inflow related to pensions and OPEB.

(1) Summary of Significant Accounting Policies (Continued)

(r) 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.

(s) Revenue Recognition – Property Taxes

For 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.

(t) Inventory

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

(u) 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.

(v) Comparative Financial Statements

Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles.

(2) Cash, Cash Equivalents, and Investments

Cash and investments as of June 30, 2024, consist of the following:

Statement of Net Position	
Cash and investments	$ 23,041,905
Restricted cash and investments	17,777,205
Total Cash and Investments	$ 40,819,110
Cash	1,078,851
Investments	39,740,259
Total Cash and Investments	$ 40,819,110

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).

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.

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.

One of the ways that the Agency manages its exposure to interest rate risk is by purchasing a combination of shorter-term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the Agency's investments to market interest rate fluctuations are provided by the following table that shows the distribution of the Agency's investments by maturity as of June 30, 2024.

Investment Type	Total	Remaining Maturity 12 Months or Less	Remaining Maturity 12 Months-24 Months	Remaining Maturity 24 Months-36 Months
US treasury notes	$ 5,133,823	5,133,823	-	-
Money market fund	226,788	226,788	-	-
Certificates of Deposit - negotiable	5,153,535	3,443,497	1,710,038	-
LAIF	3,998	3,998	-	-
Joint powers authority pool	29,222,115	29,222,115	-	-
	$ 39,740,259	38,030,221	1,710,038	-

(2) Cash, Cash Equivalents, and Investments (Continued)

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.

Presented below is the minimum rating required by (where applicable) the California Government Code or the Agency's Investment Policy, or debt agreements, and the S&P ratings as of June 30, 2024 for each investment type.

The Agency's rating as of the year ended June 30, 2024 for each investment type are as follows:

Investment Type	Total	Minimum Legal Rating	Not Rated	AAAm
US treasury notes	$ 5,133,823	N/A	5,133,823	-
Money market fund	226,788	AA-m	-	226,788
Certificates of deposit	5,153,535	N/A	5,153,535	-
LAIF	3,998	N/A	3,998	-
Joint powers authority pool	29,222,115	AA-m	-	29,222,115
	$ 39,740,259		10,291,356	29,448,903

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits or 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 possession of another party. The California Government Code and the Agency's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state late (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured deposits.

(2) Cash, Cash Equivalents, and Investments (Continued)

Fair Value Measurement

The Agency categorizes its fair value investments within the fair value hierarchy established by generally accepted accounting principles. The Agency has the following recurring fair value measurements as of June 30, 2024:

	Measurement Inputs				
Investment Type	Level 1	Level 2	Level 3	Uncategorized	Total
US treasury notes	$ -	5,133,823	-	-	5,133,823
Money market fund	-	-	-	226,788	226,788
Certificates of Deposit - negotiable	-	5,153,535	-	-	5,153,535
LAIF	-	-	-	3,998	3,998
Joint powers authority pool	-	-	-	29,222,115	29,222,115
	$ -	10,287,358	-	29,452,901	39,740,259

(3) Accounts Receivable

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

Service charges - regular collections	$ 663,615
Other	19,589
	$ 683,204

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.

(4) Capital Assets

Capital Asset activity for the year ended June 30, 2024 was as following:

	Balance June 30, 2023	Additions	Deletions	Balance June 30, 2024
Capital assets not being depreciated:				
Land	$ 2,174,726	-	-	2,174,726
Construction in progress	2,253,910	1,219,778	(2,670,498)	803,190
Total capital assets not being depreciated	4,428,636	1,219,778	(2,670,498)	2,977,916
Capital assets being depreciated:				
Sewage treatment and collection	149,731,723	2,531,957	-	152,263,680
General plant and equipment	5,521,301	1,562,333	-	7,083,634
Vehicles	1,278,898	512,697	-	1,791,595
Total capital assets being depreciated	156,531,922	4,606,987	-	161,138,909
Less accumulated depreciation:				
Sewage treatment and collection	(73,420,858)	(3,040,782)	-	(76,461,640)
General plant and equipment	(3,981,853)	(456,167)	-	(4,438,020)
Vehicles	(1,208,458)	(104,755)	-	(1,313,213)
Total accumulated depreciation	(78,611,169)	(3,601,704)	-	(82,212,873)
Total capital assets being depreciated, net	77,920,753	1,005,283	-	78,926,036
Total capital assets, net	$ 82,349,389	2,225,061	(2,670,498)	81,903,952

(5) 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 2021 Wastewater Revenue Refunding Bonds as of June 30, 2024 was $8,455,000. 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 $695,636 as of June 30, 2024. 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. The July 1, 2024 payment was made before June 30, 2024.

(5) Long-Term Debt (continued)

As of June 30, 2024, the annual repayment requirements of the Revenue Bonds were as follows:

Year Ending June 30	Principal	Interest	Total
2025	2,680,000	410,407	3,090,407
2026	2,815,000	303,738	3,118,738
2027	2,960,000	192,979	3,152,979
Total Requirements	8,455,000	907,124	9,362,124
Less: Current Portion	2,680,000	410,407	3,090,407
Long-Term Portion	5,775,000	496,717	6,271,717
Plus Unamortized Premium	695,636	-	695,636
Total	$ 9,150,636	907,124	10,057,760

The following is a summary of the long-term obligations of the Agency

	Balance July 1, 2023	Additions	Retirements	Balance June 30, 2024	Amount Due Within One Year
2020 Revenue Bond Payable	$ 11,005,000	-	(2,550,000)	8,455,000	2,680,000
Premium on 2020 Revenue Bond	1,144,470	-	(448,834)	695,636	343,407
	$ 12,149,470	-	(2,998,834)	9,150,636	3,023,407

(6) 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 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.

(6) Defined Benefit Pension Plan (Continued)

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. 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, 2024 is summarized as follows:

	Miscellaneous Plans	
	Classic Tier 1	PEPRA Tier 2
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 of service	5 years of service
Benefits payments	monthly for life	monthly for life
Retirement age	50	52
Monthly benefits, as a % of eligible compensation	2.00% - 2.7%	1.00% - 2.5%
Required employee contribution rates	8.0%	7.25%
Required employer contribution rates	14.350% as of June 30, 2022 and 14.523% as of June 30, 2021	7.700% as of June 30, 2022 and 7.847% as of June 30, 2021

(6) Defined Benefit Pension Plan (Continued)

Members covered by Benefit Terms

At June 30, 2022 (Valuation Date), the following members were covered by the benefit terms:

Plan Members	Miscellaneous Plans Classic Tier 1	 PEPRA Tier 2	Total
Active members	27	19	46
Retired members and beneficiaries	89	-	89
Total plan members	116	19	135

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.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ending June 30, 2023 (the measurement date) the total pension liability was determined by rolling forward the June 30, 2023 total pension liability determined in the June 30, 2022 valuation. The June 30, 2023 pension liability was based on the following actuarial methods and assumptions.

(6) Defined Benefit Pension Plan (Continued)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds.
Post Retirement Benefit Increase	Contract COLA up to 2.3% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the 2021 experience study report that can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability for PERF C was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(6) Defined Benefit Pension Plan (Continued)

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 long-term expected real rate of return by asset class.

Investment Type	New Strategic Allocation	Real Return Years 1 - 10[1,2]
Global equity - cap-weighted	30.00%	4.45%
Global equity non-cap-weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	-5.00%	-0.59%

1 - An expected inflation of 2.3% used for this period
2 - Figures are based on the 2021-22 Asset Liability Management Study

(6) Defined Benefit Pension Plan (Continued)

Allocation of Net Pension Liability and Pension Expense to Individual Employers

The following table shows the Agency's proportionate share of the net pension liability over the measurement period.

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

The Agency's proportionate share of the net pension liability for the plan as of June 30, 2023 and 2024 was as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balance at June 30, 2023	$ 67,178,937	51,853,239	15,325,698
Balance at June 30, 2024	70,101,911	53,570,548	16,531,363
Net changes during 2023-24	$ 2,922,974	1,717,309	1,205,665

	Percentage Share of Risk Pool		
	Fiscal Year Ending June 30, 2024	Fiscal Year Ending June 30, 2023	Change Increase/ (Decrease)
Measurement Date	June 30, 2023	June 30, 2022	
Percentage of Risk Pool Net Pension Liability	0.33060%	0.32753%	0.00307%

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Plan as of the Measurement Date, calculated using the discount rate of 6.9 percent, as well as what the net pension liability would be if it were calculated using a discount that is 1 percentage-point lower (5.9 percent) or 1 percentage point higher (7.9 percent) than the current rate:

	Plan's Net Pension Liability (Asset)		
Plan Type	Discount Rate - 1% Rate 5.9%	Current Discount Rate 6.9%	Discount Rate + 1% Rate 7.9%
Miscellaneous Plan	$ 26,012,348	16,531,363	8,727,698

(6) Defined Benefit Pension Plan (Continued)

Amortization of Deferred Outflows and Deferred Inflows of Resources

Under GASB 68, actuarial gains and losses related to changes in total pension liability and fiduciary net pension are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings	5-year straight-line amortization
All other amounts	Straight-line amortization over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

Account Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions made after the measurement date	$ 1,844,057	-
Difference between actual and proportionate share of employer contributions	1,846,705	413,358
Change in assumptions	998,073	-
Differences between expected and actual experience	844,511	131,004
Differences between projected and actual earnings on pension plan investments	2,676,576	-
Change in employer's proportion	887,403	404,543
Total Deferred Outflows/(Inflows) of Resources	$ 9,097,325	948,905

(6) Defined Benefit Pension Plan (Continued)

$1,844,057 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2025. Other amounts reported as deferred outflows and deferred inflows of resources in the previous chart will be recognized in future pension expense as follows:

Amortization Period Fiscal Year Ended June 30	Deferred Outflows/(Inflows) of Resources
2024	$ 2,121,147
2026	1,637,129
2027	2,469,285
2028	76,802
Total	$ 6,304,363

(7) 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 five years of service.

Plan Membership

At June 30, 2023 (valuation date), membership consisted of the following:

Active members	51
Inactive plan members or beneficiaries currently receiving benefit payment	55
Total plan members	106

(7) Other Post Employment Benefits (OPEB) (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.

Net OPEB Liability

The Agency's net OPEB liability was measured as of June 30, 2023 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2023, based on the following actuarial methods and assumptions:

Actuarial Cost Method:	Entry Age Normal
Actuarial Assumptions:	
Discount Rate Inflation Salary Increases Investment Rate of Return	6.75% net of expenses 2.50% 2.75% per annum, including inflation 6.75%, net of OPEB plan investment expense, including inflation
Mortality Rate[1]	Derived from the of 2021 CalPERS Active Mortality for Miscellaneous Employees Table
Pre-Retirement Turnover[2]	Derived using 2021 CalPERS' Turnover for Miscellaneous Employees Table
Healthcare Trend Rate	Medical premiums assumed to increase 4% per year. Dental and vision premiums are assumed to increase 4% per year.

Notes:

[1] The mortality assumptions are based on the 2021 CalPERS Mortality for Miscellaneous and Schools Employees table created by CalPERS. CalPERS periodically studies mortality for participating agencies and establishes mortality tables that are modified versions of commonly used tables. This table incorporates mortality projection as deemed appropriate based on CalPERS analysis.

[2] The turnover assumptions are based on the 2021 CalPERS Turnover for Miscellaneous Employees table created by CalPERS. CalPERS periodically studies the experience for participating agencies and establishes tables that are appropriate for each pool.

(7) Other Post Employment Benefits (OPEB) (Continued)

Discount Rate

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:

Asset Class	Percentage of Portfolio	Assumed Gross Return
All equities	59.0%	7.545%
All fixed income	25.0%	4.250%
Real estate investment trusts	8.0%	7.250%
All commodities	3.0%	7.545%
Treasury inflation protected securities (TIPS)	5.0%	3.000%
Total	**100%**	

Changes in the OPEB Liability (Asset)

The changes in the net OPEB liability for the Plan are as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net position (b)	Net OPEB Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2023	$ 12,101,474	12,299,019	(197,545)
Changes recognized for the measurement period:			
Service cost	257,061	-	257,061
Interest	802,550	-	802,550
Experience (gains)/losses	693,919	-	693,919
Changes in assumptions	432,204	-	432,204
Expected investment income	-	814,875	(814,875)
Administrative expenses	-	(3,591)	3,591
Employer contributions as benefit payments	-	230,372	(230,372)
Actual benefit payments from trust	(450,000)	(450,000)	-
Actual benefit payments from employer	(230,372)	(230,372)	-
Expected minus actual benefit payments	(369)	-	(369)
Investments gains/(losses)	-	1,009	(1,009)
Net Changes	1,504,993	362,293	1,142,700
Balance at June 30, 2024 *(Measurement Date June 30, 2023)*	$ 13,606,467	12,661,312	945,155

(7) Other Post Employment Benefits (OPEB) (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 period ended June 30, 2023:

	1% Decrease (5.75%)	Discount Rate (6.75%)	1% Increase (7.75%)
Net OPEB Liability	$ 2,600,851	$ 945,155	$ (429,905)

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 period ended June 30, 2023:

	1% Decrease (3.00%HMO/ PPO)	Current Healthcare Cost Trend Rates (4.00%HMO/ PPO)	1% Increase (5.00%HMO/ PPO)
Net OPEB Liability	$ (596,522)	$ 945,155	$ 2,830,824

Recognition of Deferred Outflows and Deferred Inflows of Resources

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.

(7) Other Post Employment Benefits (OPEB) (Continued)

The recognition period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on OPEB plan investments	5 years
All other amounts	Expected average remaining service lifetime (EARSL)

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

As of fiscal year ended June 30, 2024, the Agency reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	$ 793,297	-
Changes in assumptions	597,855	-
Difference between expected and actual experience	772,070	489,457
Net difference between projected and actual earnings OPEB plan investments	899,241	-
Total	$ 3,062,463	489,457

The $793,297 reported as deferred outflows of resources related to the contributions subsequent to the June 30, 2023 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2025. Amounts reported as deferred outflows and deferred inflows of resources in the previous chart, including the employer-specific item, will be recognized in future OPEB expense as follows:

Fiscal Year Ended June 30:	**Deferred Outflows/(Inflows) of Resources**
2024	$ 332,881
2025	255,503
2026	728,829
2027	111,797
2028	136,712
Thereafter	213,987

(8) Property Tax

The Agency has a gross assessed valuation of $24.924 billion for the fiscal year ended June 30, 2024. 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.

(9) 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 59-member sanitation districts. The Agency pays an annual premium to CSRMA for its general insurance coverage. The CSRMA purchases excess insurance of $25,750,000 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.

(10) 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.

(11) Commitments and Contingencies

The Agency has entered into construction and consulting commitments totaling $819,514 for fiscal years ended June 30, 2024. As of June 30, 2024, the amount earned on the contracts was $771,429 with a remaining balance of $48,085.

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.

REQUIRED SUPPLEMENTARY INFORMATION

TAHOE-TRUCKEE SANITATION AGENCY

Schedule of Changes in the Net OPEB Liability (Asset)

June 30, 2024

Last Ten Years*

Measurement Period Ending June 30	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability							
Service cost	$ 257,061	$ 250,181	$ 202,623	$ 197,200	$ 157,380	$ 153,168	$ 149,069
Interest on the total OPEB liability	802,550	778,476	812,080	788,516	742,374	721,643	701,278
Experience (gains)/losses	693,919	-	(821,775)	(23,967)	354,595	-	-
Changes in assumptions	432,204	-	380,378	-	-	-	-
Expected minus actual benefit payments	(369)	24,520	12,142	-	26,971	-	-
Benefit payments	(680,372)	(694,647)	(672,541)	(619,222)	(613,949)	(574,561)	(552,462)
Net change in total OPEB liability	1,504,993	358,530	(87,093)	342,527	667,371	300,250	297,885
Total OPEB liability - beginning	12,101,474	11,742,944	11,830,037	11,487,510	10,820,139	10,519,889	10,222,004
Total OPEB liability - ending (a)	$ 13,606,467	$ 12,101,474	$ 11,742,944	$ 11,830,037	$ 11,487,510	$ 10,820,139	$ 10,519,889
Plan Fiduciary Net Position							
Contribution - employer	$ -	$ -	$ -	$ -	$ -	$ 574,561	$ 552,462
Actual investment income	-	-	808,511	394,345	-	-	935,429
Investment gains/losses	1,009	(2,948,874)	2,366,635	-	(87,186)	681,785	-
Expected investment income	814,875	978,498	-	-	736,097	94,665	-
Employer contributions as benefit payments	230,372	244,647	672,541	619,222	613,949	(574,561)	-
Benefit payments	(680,372)	(694,647)	(672,541)	(619,222)	(613,949)	-	(552,462)
Expected minus actual benefit payments		-	-	-	-	9,618	-
Administrative expense	(3,591)	(3,729)	(4,371)	(5,453)	(2,253)	(18,106)	(7,845)
Net change in plan fiduciary net position	362,293	(2,424,105)	3,170,775	388,892	646,658	767,962	927,584
Plan fiduciary net position - beginning	12,299,019	14,723,124	11,552,349	11,163,457	10,516,799	9,748,837	8,821,253
Plan fiduciary net position - ending (b)	$ 12,661,312	$ 12,299,019	$ 14,723,124	$ 11,552,349	$ 11,163,457	$ 10,516,799	$ 9,748,837
Net OPEB liability(asset) - ending (a)-(b)	$ 945,155	$ (197,545)	$ (2,980,180)	$ 277,688	$ 324,053	$ 303,340	$ 771,052
Plan fiduciary net position as a percentage of the total OPEB liability	93.05%	101.63%	125.38%	97.65%	97.18%	97.20%	92.67%
Covered payroll	$ 5,776,384	$ 5,228,077	$ 5,031,420	$ 5,053,620	$ 5,021,904	$ 4,670,923	$ 4,483,071
Net OPEB liability as a percentage of covered payroll	16.36%	-3.78%	-59.23%	5.49%	6.45%	6.49%	17.20%

Notes to Schedule:

* Historical information is required only for measurement periods for which GASB 75 is applicable.
Future years' information will be displayed up to 10 years as information becomes available.

TAHOE-TRUCKEE SANITATION AGENCY

Schedule of the Agency's Proportionate Share of the Net Pension Liability

June 30, 2024

Last Ten Years

Measurement Date	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019
Proportion of the collective net pension liability	0.132681%	0.132681%	0.101375%	0.142428%	0.164810%
Proportionate share of the collective net pension liability	$ 16,531,363	$ 15,325,698	$ 5,031,420	$ 15,496,793	$ 16,888,143
Covered payroll	5,776,384	5,228,077	5,031,420	5,053,620	5,069,020
Proportionate share of the collective net pension liability as a percentage of covered payroll	286.19%	293.14%	100.00%	306.65%	333.16%
Plan fiduciary net position as a percentage of the total pension liability	77.19%	77.19%	75.18%	75.18%	71.90%

Measurement Date	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Proportion of the collective net pension liability	0.162026%	0.159624%	0.158585%	0.155568%	0.129553%
Proportionate share of the collective net pension liability	$ 15,613,228	$ 15,830,320	$ 13,722,519	$ 10,678,017	$ 8,171,772
Covered payroll	4,670,923	4,483,071	4,318,577	4,378,738	4,378,738
Proportionate share of the collective net pension liability as a percentage of covered payroll	334.26%	353.11%	317.76%	243.86%	186.62%
Plan fiduciary net position as a percentage of the total pension liability	73.20%	72.58%	73.79%	78.53%	83.26%

Notes to schedule:

Summary of Changes of Benefits or Assumptions:

Benefit Changes: There were no changes to benefit terms that applied to all members of the Public Agency Pool. 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).

TAHOE-TRUCKEE SANITATION AGENCY

Schedule of the Agency's Pension Plan Contributions

June 30, 2024

Last Ten Years

Fiscal year	6/30/2024	6/30/2023	6/30/2022	6/30/2021	6/30/2020
Actuarially determined contribution	$ 1,844,057	$ 4,241,428	$ 1,790,007	$ 4,241,428	$ 1,620,437
Contribution in relation to the actuarially determined contribution	(1,844,057)	(4,241,428)	(1,790,007)	(4,241,428)	(4,131,332)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ (2,510,895)
Covered payroll	$ 5,692,024	$ 5,776,384	$ 5,228,077	$ 5,031,420	$ 5,053,620
Contributions as a percentage of covered payroll	32.40%	73.43%	34.24%	84.30%	81.75%
Contribution valuation date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	

Fiscal year	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
Actuarially determined contribution	$ 1,422,469	$ 1,197,164	$ 1,081,422	$ 1,081,422	$ 758,609
Contribution in relation to the actuarially determined contribution	(1,422,469)	(1,197,164)	(1,081,422)	(1,081,422)	(758,609)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 5,069,020	$ 4,670,923	$ 4,483,071	$ 4,318,577	$ 4,378,738
Contributions as a percentage of covered payroll	28.06%	25.63%	24.12%	25.04%	17.32%
Contribution valuation date	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012

Notes to schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for the fiscal year ended June 30, 2024 were from the June 30, 2021 public agency valuations.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	Level of Percent of Payroll
Actuarial Assumptions:	
Discount Rate	6.80%
Inflation	2.30%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	2.80%
Retirement Age	The probabilities of Retirement are based on the 2010 CalPERS Experience study for the period from 1997 to 2007.
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increases	Contract COLA up to 2.50% until Purchasing Power Protection Floor on Purchasing Power applies, 2.50% thereafter

The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

Changes in Assumptions: There were no changes from 2019 through 2021. In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. In 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5% (net of administrative expense) to 7.65% (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5% discount rate.

Benefit Changes: The figures above generally include any liability that may have resulted from voluntary benefit changes that occurred on or before the Measurement Date. However, offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes) that occurred after the Valuation Date are not included in the figures above, unless the liability is deemed to be material by the plan actuary.