



***TAHOE-TRUCKEE SANITATION AGENCY***

Financial Statements  
Supplementary Information  
and  
Independent Auditor's Report

For the Fiscal Years Ended June 30, 2016 and 2015

Tahoe-Truckee Sanitation Agency

TABLE OF CONTENTS

June 30, 2016 and 2015

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	3 - 5
MANAGEMENT'S DISCUSSION AND ANALYSIS	6 - 9
GENERAL PURPOSE FINANCIAL STATEMENTS:	
STATEMENTS OF NET POSITION	10 - 11
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION	12
STATEMENTS OF CASH FLOWS	13 - 14
NOTES TO FINANCIAL STATEMENTS	15 - 40
 R E Q U I R E D   S U P P L E M E N T A R Y   I N F O R M A T I O N	
SCHEDULE OF FUNDING PROGRESS (UNAUDITED) - OTHER POST EMPLOYMENT BENEFITS	42
SCHEDULE OF THE AGENCY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	43
SCHEDULE OF THE AGENCY'S PENSION PLAN CONTRIBUTIONS	44
 S U P P L E M E N T A R Y   I N F O R M A T I O N	
SCHEDULE 1 - COMPARISON OF BUDGET TO ACTUAL	46
SCHEDULE 2 - COMPARISON OF BUDGET APPROPRIATIONS TO ACTUAL EXPENDITURES	47



## 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, 2016 and 2015, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, 2016 and 2015, 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.

## **Emphasis of Matters**

### *Change in Accounting Principle*

As discussed in Notes 1 and 14 to the basic financial statements, the Agency implemented the provisions of Governmental Accounting Standards Board Statement (GASB) No. 72 - *Fair Value Measurement and Application* for the year ended June 30, 2016, and GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions and No. 71 – Pension Transition for Contributions made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*, for the year ended June 30, 2015. Our opinion is not modified with respect to these matters.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis on pages 6 through 9 and the required supplementary information related to the pension and post-employment healthcare plans on pages 42 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the 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.  
Certified Public Accountants

February 15, 2017

## Tahoe-Truckee Sanitation Agency

### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016 and 2015

The Tahoe-Truckee Sanitation 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, 2016. 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 2020. 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 is repaying over 20 years at an annual payment of approximately \$3.2 million. This is a significant factor in assessing the Agency's overall financial activities during the fiscal year ended June 30, 2016.

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

Tahoe-Truckee Sanitation Agency

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016 and 2015

**REQUIRED FINANCIAL STATEMENTS (Continued)**

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 minimal change in Net Position. The fiscal year included the continued implementation of GASB 68 reporting requirements. FYE 2016 Current Assets increased due to property taxes, interest earned and fewer capital expenditures, however, the increases were offset by depreciation and GASB 68 implementation.

The decrease of 15% in the State Loan Restricted Reserve is the result of compliance with the State Water Resources Control Board loan agreement. T-TSA has met the requirement by contributing 0.5% of the original \$50,158,367 loan amount for the ten-year period.

**Table A-1**  
Condensed Statement of Net Position

	FYE 6/30/2016	FYE 6/30/2015	Change in Dollars	Percent Change
Current Assets	\$ 25,196,248	\$ 22,479,430	\$ 2,716,818	12%
Restricted Assets	24,827,832	25,780,294	( 952,462)	-4%
Net Capital Assets	88,472,281	90,744,098	( 2,271,817)	-3%
Deferred Pension Outflows (Note 7)	<u>587,605</u>	<u>599,448</u>	<u>( 11,843)</u>	-2%
<b>Total Assets</b>	<b>\$ 139,083,966</b>	<b>\$ 139,603,270</b>	<b>(\$ 519,304)</b>	<b>0%</b>
Current Liabilities Unrestricted	\$ 1,464,477	\$ 1,542,693	(\$ 78,216)	-5%
Current Liabilities Restricted	2,985,583	2,941,244	44,339	2%
Long Term Liabilities	41,402,669	41,283,029	119,640	0%
Deferred Pension Inflows (Note 7)	<u>1,965,006</u>	<u>2,746,094</u>	<u>( 781,088)</u>	-28%
<b>Total Liabilities</b>	<b>\$ 47,817,735</b>	<b>\$ 48,513,060</b>	<b>(\$ 695,325)</b>	<b>-1%</b>
Net Investment in Capital Assets	\$ 55,361,024	\$ 55,306,716	\$ 54,308	0%
Restricted for Wastewater Capital Reserve	21,330,508	21,746,415	( 415,907)	-2%
Restricted for State Loan	2,898,346	3,418,760	( 520,414)	-15%
Unrestricted	<u>11,676,353</u>	<u>10,618,319</u>	<u>1,058,034</u>	10%
<b>Total Net Position</b>	<b>\$ 91,266,231</b>	<b>\$ 91,090,210</b>	<b>\$ 176,021</b>	<b>0%</b>





Tahoe-Truckee Sanitation Agency

MANAGEMENT’S DISCUSSION AND ANALYSIS

June 30, 2016 and 2015

**BUDGETARY HIGHLIGHTS**

Table A-3 demonstrates an overall positive variance in service charge and property tax revenues. 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 & Maintenance and Administrative & General expenses are less than the budgeted amounts due to a combination of organizational structure, contractual services, and capital projects.

**Table A-3**  
Budgeted Summary

	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Service & Other Charge Revenue	\$ 12,700,000	\$ 12,476,260	(\$ 223,740)
Property & In Lieu Tax Revenue	<u>2,164,300</u>	<u>3,163,732</u>	<u>999,432</u>
Total Operating Revenue	<u>\$ 14,864,300</u>	<u>\$ 15,639,992</u>	<u>\$ 775,692</u>
Operations & Maintenance	\$ 12,852,890	\$ 11,849,464	\$ 1,003,426
Administrative & General	<u>2,164,300</u>	<u>1,639,732</u>	<u>524,568</u>
Total Operating Expenses	<u>\$ 15,017,190</u>	<u>\$ 13,489,196</u>	<u>\$ 1,527,994</u>
Transfers from Rehab Reserve	<u>\$ 152,890</u>	<u>\$</u>	<u>(\$ 152,890)</u>
Total Positive Variance	<u>\$ 0</u>	<u>\$ 2,150,796</u>	<u>\$ 2,150,796</u>

**CAPITAL ASSETS AND LONG TERM DEBT**

In October 2008, the Agency began making payments of \$3.2 million per year to repay the State Revolving Fund Loan. The SRF loan the Agency received has a fixed 2.6% rate, which consists of 1.6% in interest and a 1% service charge and is repayable over 20 years.

**OTHER ECONOMIC FACTORS AFFECTING FUTURE FINANCIAL POSITION AND OPERATIONS**

The key economic factors affecting T-TSA’s future financial position and operations are the fluctuations of the local construction market, the rate of inflation, and future cost increases of new equipment and materials.

Tahoe-Truckee Sanitation Agency

STATEMENTS OF NET POSITION

June 30, 2016 and 2015

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

<u>Current Assets:</u>	<u>2016</u>	<u>2015</u>
Cash and Cash Equivalents	\$ 24,478,774	\$ 21,884,149
Accrued Interest Receivable	34,159	16,466
Accounts Receivable	294,571	163,499
Inventory	94,310	120,058
Due from Other Governmental Agencies	<u>294,434</u>	<u>295,258</u>
Total Current Assets	<u>\$ 25,196,248</u>	<u>\$ 22,479,430</u>
<u>Restricted Assets:</u>		
Cash and Cash Equivalents	\$ 24,718,700	\$ 25,755,051
Accrued Interest Receivable	32,130	16,487
Accounts Receivable - Connection Fees	<u>77,002</u>	<u>8,756</u>
Total Restricted Assets	<u>\$ 24,827,832</u>	<u>\$ 25,780,294</u>
Net Capital Assets	<u>\$ 88,472,281</u>	<u>\$ 90,744,098</u>
<u>Deferred Outflows of Resources:</u>		
Deferred Pension Outflows (Note 7)	<u>\$ 587,605</u>	<u>\$ 599,448</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$ 139,083,966</u></u>	<u><u>\$ 139,603,270</u></u>

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

Tahoe-Truckee Sanitation Agency

STATEMENTS OF NET POSITION

June 30, 2016 and 2015

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

<u>Current Liabilities (Payable from Current Assets):</u>	<u>2016</u>	<u>2015</u>
Accounts Payable	\$ 358,989	\$ 328,191
Compensated Absences Payable	1,055,217	1,072,398
Customer Deposits	1,500	1,700
Accrued Expenses	<u>48,771</u>	<u>140,404</u>
Total Current Liabilities (Payable from Current Assets)	<u>\$ 1,464,477</u>	<u>\$ 1,542,693</u>
<u>Current Liabilities (Payable from Restricted Assets):</u>		
Accounts Payable	\$ 25,050	\$ 871
Accrued Interest Payable	573,928	614,248
Loan Payable - State of California, Current Portion	<u>2,386,605</u>	<u>2,326,125</u>
Total Current Liabilities (Payable from Restricted Assets)	<u>\$ 2,985,583</u>	<u>\$ 2,941,244</u>
<u>Long-Term Liabilities:</u>		
Loan Payable - State of California, Net of Current Portion	\$ 30,724,652	\$ 33,111,257
Net Pension Liability (Note 7)	<u>10,678,017</u>	<u>8,171,772</u>
Total Long -Term Liabilities	<u>\$ 41,402,669</u>	<u>\$ 41,283,029</u>
<u>Deferred Inflows of Resources:</u>		
Deferred Pension Inflows (Note 7)	<u>\$ 1,965,006</u>	<u>\$ 2,746,094</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 47,817,735</u>	<u>\$ 48,513,060</u>
<u>Net Position:</u>		
Net Investment in Capital Assets	\$ 55,361,024	\$ 55,306,716
Restricted for Waste Water Capital Reserve	21,330,508	21,746,415
Restricted for State Loan Repayment	2,898,346	3,418,760
Unrestricted	<u>11,676,353</u>	<u>10,618,319</u>
Total Net Position	<u>\$ 91,266,231</u>	<u>\$ 91,090,210</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 139,083,966</u>	<u>\$ 139,603,270</u>

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, 2016 and 2015

<u>Operating Revenues:</u>	2016	2015
Service Charges	\$ 12,328,555	\$ 12,247,486
Other Services	147,705	67,177
Total Operating Revenues	\$ 12,476,260	\$ 12,314,663
 <u>Operating Expenses:</u>		
Operations & Maintenance	\$ 11,849,464	\$ 9,795,687
Administrative & General	1,639,732	1,470,909
Depreciation	2,965,086	3,004,800
Total Operating Expenses	\$ 16,454,282	\$ 14,271,396
Operating Loss	(\$ 3,978,022)	(\$ 1,956,733)
 <u>Non-Operating Revenues:</u>		
Property Taxes	\$ 2,935,461	\$ 2,497,457
Interest Earned	217,742	128,960
Interest Expense	( 881,052)	( 941,021)
In-Lieu Taxes	228,271	229,168
Aid from Other Governmental Agencies	25,851	24,083
Other Income	60,150	46,135
Total Non-Operating Revenues	\$ 2,586,423	\$ 1,984,782
Net Income (Loss) Before Capital Contributions	(\$ 1,391,599)	\$ 28,049
Capital Contributions - Connection Fees	1,567,620	1,791,569
Change in Net Position	\$ 176,021	\$ 1,819,618
Net Position, Beginning of Year, before Restatement	\$ 91,090,210	\$ 99,726,218
Prior Period Adjustment per Implementation of GASB 68 (Note 14)		10,455,626
Net Position, Beginning of Year, after Restatement	\$ 91,090,210	\$ 89,270,592
Net Position, End of Year	\$ 91,266,231	\$ 91,090,210

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, 2016 and 2015

<u>Cash Flows from Operating Activities:</u>	<u>2016</u>	<u>2015</u>
Receipts from Customers	\$ 12,344,988	\$ 12,321,236
Payments to Suppliers	( 3,948,239)	( 3,883,449)
Payments to Employees	( 7,851,825)	( 7,560,933)
Other Payments	( 4,400)	( 5,400)
Net Cash Provided by Operating Activities	<u>\$ 540,524</u>	<u>\$ 871,454</u>
<u>Cash Flows from Noncapital Financing Activities:</u>		
Property Taxes Collected	\$ 2,936,285	\$ 2,528,795
Aid from Other Governmental Agencies and Other Income	<u>314,272</u>	<u>299,386</u>
Net Cash Provided by Noncapital Financing Activities	<u>\$ 3,250,557</u>	<u>\$ 2,828,181</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>		
Acquisition of Capital Assets	(\$ 669,090)	(\$ 3,067,400)
Principal Payment on Loan	( 2,326,125)	( 2,267,179)
Interest Payments on Loan	( 921,372)	( 980,319)
Capital Contributions	<u>1,499,374</u>	<u>1,787,345</u>
Net Cash Used by Capital and Related Financing Activities	<u>(\$ 2,417,213)</u>	<u>(\$ 4,527,553)</u>
<u>Cash Flows from Investing Activities:</u>		
Interest Received on Investments	<u>\$ 184,406</u>	<u>\$ 122,140</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 1,558,274	(\$ 705,778)
Cash and Cash Equivalents, Beginning of Year	<u>47,639,200</u>	<u>48,344,978</u>
Cash and Cash Equivalents, End of Year	<u>\$ 49,197,474</u>	<u>\$ 47,639,200</u>
<u>Cash and Cash Equivalents Classified in the Balance Sheet:</u>		
Current Assets	\$ 24,478,774	\$ 21,884,149
Restricted Assets	<u>24,718,700</u>	<u>25,755,051</u>
	<u>\$ 49,197,474</u>	<u>\$ 47,639,200</u>

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, 2016 and 2015

<u>Reconciliation of Operating Loss</u> <u>to Net Cash Provided by Operating Activities:</u>	<u>2016</u>	<u>2015</u>
Operating Loss	(\$ 3,978,022)	(\$ 1,956,733)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:		
Depreciation	\$ 2,965,086	\$ 3,004,800
Changes in Assets, Deferred Outflows of Resources, Liabilities and Deferred Inflows of Resources:		
Decrease/(Increase) in Accounts Receivable	( 131,072)	6,273
Decrease/(Increase) in Inventory	25,748	7,088
Changes in Deferred Outflows of Resources	1,737,000	( 137,208)
Increase/(Decrease) in Accounts Payable	30,798	( 127,655)
Increase/(Decrease) in Accrued Compensated Absences	( 17,181)	8,918
Decrease in Customer Deposits	( 200)	300
Increase/(Decrease) in Accrued Expenses	( 91,633)	65,671
Total Adjustments	<u>\$ 4,518,546</u>	<u>\$ 2,828,187</u>
Net Cash Provided by Operating Activities	<u>\$ 540,524</u>	<u>\$ 871,454</u>
<u>Noncash Transactions:</u>		
Increase in Net Pension Liability	\$ 2,506,245	\$ 8,171,772
Increase/(Decrease) in Deferred Pension Inflows	( 781,088)	2,746,094
Increase in Deferred Pension Outflows	11,843	( 599,448)
Pension Expense	<u>1,233,833</u>	<u>137,208</u>
Prior Period Adjustment (Note 14)	<u>\$ 0</u>	<u>\$ 10,455,626</u>

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

Tahoe-Truckee Sanitation Agency

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

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 11. 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.

Tahoe-Truckee Sanitation Agency

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

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 \$33,111,257 and \$35,437,382 as of June 30, 2016 and 2015, respectively.



Tahoe-Truckee Sanitation Agency

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

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 net assets* - 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, external investment pools, open-end mutual funds, and debt securities are valued at their fair values in the balance sheet. Unrealized gains and losses are included in the statement of revenues, expenses, and changes in retained earnings.

G. Accounts Receivable - The accounts receivable consist 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	50 Years
Machinery and Equipment	4 - 8 Years

Tahoe-Truckee Sanitation Agency

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

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* - The restricted net assets consist of connection fee revenues pledged as collateral for repayment of the loan upon completion of construction.

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 major Plant Replacement Reserve in order to provide funds for future replacement of plant and equipment. Excess resources from operations are transferred into the reserve each year. The designated balances as of June 30, 2016 and 2015 were \$11,676,353 and \$10,618,319, 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.

Tahoe-Truckee Sanitation Agency

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

- L. Other Post Employment Benefit Plan - The Agency is a member of the California Employers' Retiree Benefit Trust (CERBT) fund plan, which covers all eligible full-time and part-time employees with at least 30 days of service. For information about the benefit 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.
- 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.
- 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 2015 have been reclassified to conform to the fiscal year 2016 presentation.

Tahoe-Truckee Sanitation Agency

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

S. Accounting Pronouncements that have been Implemented in the Current Financial Statements - The Agency has adopted GASB Statement No. 72 - *Fair Value Measurement and Application*. This Statement requires a government to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value on a recurring basis. Recurring fair value measurements are those that GASB Statements require or permit in the statement of net position at the end of each reporting period.

T. Newly Issued Accounting Pronouncements, But Not Yet Effective - The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2016, that have effective dates that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 75 - In June 2015, the GASB issued Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, with required implementation for the Agency during the year ended June 30, 2018. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for other postemployment benefits (OPEB) by establishing standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. It will require the Agency to report a net OPEB liability for the difference between the present value of projected pension benefits for past service and restricted resources held in trust for the payment of benefits. The Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The Statement is required to be implemented retroactively and will require a restatement of beginning net position.

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

Tahoe-Truckee Sanitation Agency

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

- U. Deferred Outflow/Deferred Inflow of Resources (Continued) - 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. 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 pension deferred outflows and inflows.

NOTE 2 CASH AND INVESTMENTS:

A. Deposits:

The carrying amounts of the Agency's deposits were \$1,519,597 and \$1,715,067 while the banks' balances were \$1,624,453 and \$1,785,508 for the years ended June 30, 2016 and 2015, respectively. Of these amounts, \$421,592 and \$396,564 were covered by federal depository insurance, \$1,202,861 and \$1,388,945 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 a depository regulated under state law. The market value of pledged securities in the collateral pool must equal at least 110% of the total

Tahoe-Truckee Sanitation Agency

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

NOTE 2 CASH AND INVESTMENTS (Continued):

A. Deposits (Continued):

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 State Investment Pool* - 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:

	2016		2015	
	Carrying Amount	Market Value	Carrying Amount	Market Value
LAIF	\$ 47,677,877	\$ 47,707,496	\$ 45,924,133	\$ 45,941,400

Structured notes and asset-backed securities comprised 2.81% and 2.08% of LAIF's total portfolio for all investors as of June 30, 2016 and 2015, respectively. Fair value of a pool share was \$1.000621222 and \$1.000375979 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).

Tahoe-Truckee Sanitation Agency

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

NOTE 2 CASH 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, 2016 or 2015.

*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.

Tahoe-Truckee Sanitation Agency

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

NOTE 2 CASH AND INVESTMENTS (Continued):

B. Investments (Continued):

<u>Summary of Cash and Investments:</u>	<u>2016</u>	<u>2015</u>
Cash Deposits	\$ 1,519,597	\$ 1,715,067
Investments	<u>47,677,877</u>	<u>45,924,133</u>
Total	<u>\$ 49,197,474</u>	<u>\$ 47,639,200</u>
 <u>Balance Sheet Classification:</u>		
Cash and Cash Equivalents:		
Unrestricted	\$ 24,478,774	\$ 21,884,149
Restricted	<u>24,718,700</u>	<u>25,755,051</u>
Total	<u>\$ 49,197,474</u>	<u>\$ 47,639,200</u>

NOTE 3 ACCOUNTS RECEIVABLE:

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

	<u>2016</u>	<u>2015</u>
Service Charges - Regular Collections	\$ 55,654	\$ 80,580
Property Taxes	159,201	43,856
Other	<u>79,716</u>	<u>39,063</u>
	<u>\$ 294,571</u>	<u>\$ 163,499</u>

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.



Tahoe-Truckee Sanitation Agency

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

NOTE 4 RESTRICTED ASSETS:

Restricted assets as of June 30, 2016 are identified by use as follows:

	<u>Waste Water Capital Reserve</u>	<u>State Loan</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 21,820,354	\$ 2,898,346	\$ 24,718,700
Accrued Interest Receivable	32,130		32,130
Accounts Receivable	<u>77,002</u>		<u>77,002</u>
 Total Restricted Assets	 <u>\$ 21,929,486</u>	 <u>\$ 2,898,346</u>	 <u>\$ 24,827,832</u>
 <u>Current Liabilities Payable</u>			
<u>from Restricted Assets:</u>			
Accounts Payable	\$ 25,050	\$	\$ 25,050
Accrued Interest Payable	573,928		573,928
Current Portion of Long-Term Debt	<u>2,386,605</u>		<u>2,386,605</u>
 Total Current Liabilities (Payable from Restricted Assets)	 <u>\$ 2,985,583</u>	 <u>\$ 0</u>	 <u>\$ 2,985,583</u>

Restricted assets as of June 30, 2015 are identified by use as follows:

	<u>Waste Water Capital Reserve</u>	<u>State Loan</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 22,336,291	\$ 3,418,760	\$ 25,755,051
Accrued Interest Receivable	16,487		16,487
Accounts Receivable	<u>8,756</u>		<u>8,756</u>
 Total Restricted Assets	 <u>\$ 22,361,534</u>	 <u>\$ 3,418,760</u>	 <u>\$ 25,780,294</u>
 <u>Current Liabilities Payable</u>			
<u>from Restricted Assets:</u>			
Accounts Payable	\$ 871	\$	\$ 871
Accrued Interest Payable	614,248		614,248
Current Portion of Long-Term Debt	<u>2,326,125</u>		<u>2,326,125</u>
 Total Current Liabilities (Payable from Restricted Assets)	 <u>\$ 2,941,244</u>	 <u>\$ 0</u>	 <u>\$ 2,941,244</u>

Tahoe-Truckee Sanitation Agency

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

NOTE 5 CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2016 was as follows:

<u>Capital Assets not being Depreciated:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Land	\$ 2,174,726	\$	\$	\$ 2,174,726
Total Capital Assets not being Depreciated	\$ 2,174,726	\$ 0	\$ 0	\$ 2,174,726
<u>Capital Assets being Depreciated:</u>				
Sewage Treatment and Collection	\$ 138,349,229	\$ 613,078	\$	\$ 138,962,307
General Plant and Equipment	3,895,830	80,191	60,671	3,915,350
Vehicles	1,216,573		6,626	1,209,947
Total Capital Assets being Depreciated	\$ 143,461,632	\$ 693,269	\$ 67,297	\$ 144,087,604
Less Accumulated Depreciation for:				
Sewage Treatment and Collection	\$ 50,464,090	\$ 2,780,457	\$	\$ 53,244,547
General Plant and Equipment	3,258,137	155,848	60,671	3,353,314
Vehicles	1,170,033	28,781	6,626	1,192,188
Total Depreciation	\$ 54,892,260	\$ 2,965,086	\$ 67,297	\$ 57,790,049
Net Capital Assets	\$ 90,744,098	(\$ 2,271,817)	\$ 0	\$ 88,472,281

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

<u>Capital Assets not being Depreciated:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Land	\$ 2,174,726	\$	\$	\$ 2,174,726
Total Capital Assets not being Depreciated	\$ 2,174,726	\$ 0	\$ 0	\$ 2,174,726
<u>Capital Assets being Depreciated:</u>				
Sewage Treatment and Collection	\$ 135,490,243	\$ 2,858,986	\$	\$ 138,349,229
General Plant and Equipment	3,747,955	205,626	57,751	3,895,830
Vehicles	1,220,097	3,659	7,183	1,216,573
Total Capital Assets being Depreciated	\$ 140,458,295	\$ 3,068,271	\$ 64,934	\$ 143,461,632
Less Accumulated Depreciation for:				
Sewage Treatment and Collection	\$ 47,718,478	\$ 2,745,612	\$	\$ 50,464,090
General Plant and Equipment	3,095,125	220,763	57,751	3,258,137
Vehicles	1,138,791	38,425	7,183	1,170,033
Total Depreciation	\$ 51,952,394	\$ 3,004,800	\$ 64,934	\$ 54,892,260
Net Capital Assets	\$ 90,680,627	\$ 63,471	\$ 0	\$ 90,744,098

Tahoe-Truckee Sanitation Agency

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

NOTE 6 LONG-TERM DEBT:

Loans Payable - On November 6, 2004, the Agency entered into an agreement with the California State Water Resources Control Board the borrow funds for the construction of additional sewage processing facilities. The California State Water Resources Control Board released Loan funds to the Agency upon submission of expense reports. During the construction phase, the loan accrued interest at an annual fixed rate of 2.6%, which added to the principal balance of the loan. Modification of the loan was required upon completion of the project. The new terms required the Agency to pay an annual interest rate of 1.6% and an annual service charge of 1.0%. The loan began amortization over a 20-year repayment period on October 31, 2008 with equal annual payments of \$3,247,497.

As of June 30, 2016, the annual repayment requirements of the loan were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest and Service Charge</u>
2017	\$ 2,386,605	\$ 860,892
2018	2,448,656	798,841
2019	2,512,321	735,176
2020-2024	13,576,048	2,661,438
2025-2028	<u>12,187,627</u>	<u>802,361</u>
Total Requirements	\$ 33,111,257	\$ 5,858,708
Less - Current Portion	<u>2,386,605</u>	<u>860,892</u>
Long-Term Portion	<u>\$ 30,724,652</u>	<u>\$ 4,997,816</u>

The following is a summary of loan transactions for the years ended June 30, 2016 and 2015:

	<u>Balance July 1,</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30,</u>	<u>Amount Due Within One Year</u>
	<u>2015</u>			<u>2016</u>	
Loans Payable	<u>\$ 35,437,382</u>	<u>\$ 0</u>	<u>\$ 2,326,125</u>	<u>\$ 33,111,257</u>	<u>\$ 2,386,605</u>
	<u>2014</u>			<u>2015</u>	
Loans Payable	<u>\$ 37,704,561</u>	<u>\$ 0</u>	<u>\$ 2,267,179</u>	<u>\$ 35,437,382</u>	<u>\$ 2,326,125</u>

Total interest expense was \$881,052 and \$941,021 for the years ended June 30, 2016 and 2015, respectively. Interest was expensed to operations for both years.

Tahoe-Truckee Sanitation Agency

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

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 provisions are 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](http://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. All members are eligible for non-duty disability benefits after five years of service. The death benefit is one of the following: the Basic Death Benefit, the Optional Settlement 2W Death Benefit, or the 1959 Survivor 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 at June 30, 2016, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
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 - 55	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	8%	6.5%
Required employer contribution rates	11.549%	6.724%

Tahoe-Truckee Sanitation Agency

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

NOTE 7 PENSION (Continued):

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

The Tahoe-Truckee Sanitation Agency's contributions to the risk pools in the Plan for the years ended June 30, 2016 and 2015, were as follows:

	<u>Miscellaneous Plan</u>	
	<u>2016</u>	<u>2015</u>
Contributions - employer	\$ 503,167	\$ 758,644
Contributions - employee (paid by employer)	<u>354,224</u>	<u>355,057</u>
Total employer paid contributions	<u>\$ 857,391</u>	<u>\$ 1,113,701</u>

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions - As of June 30, 2016 and 2015, the Agency reported net pension liability of \$10,678,017 and \$8,171,772, respectively, for its proportionate share of the net pension liability. The Agency's net pension liability for each risk pool is measured as the proportionate share of each 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.

Tahoe-Truckee Sanitation Agency

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

NOTE 7 PENSION (Continued):

The Tahoe-Truckee Sanitation Agency's proportionate share of the net pension liability as of June 30, 2014, the valuation date, 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 date, June 30, 2014. 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 Tahoe-Truckee Sanitation 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 Tahoe-Truckee Sanitation Agency's proportionate share of the net pension liability as of June 30, 2015, the measurement date, was calculated as follows:

Each risk pool's total pension liability was computed at the measurement date, June 30, 2015, 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. The net pension liability for each risk pool at June 30, 2015, 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, 2015, 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, 2015, to obtain each employer rate plan's total pension liability and fiduciary net position as of June 30, 2015. Each employer rate plan's fiduciary net position was then subtracted from its total pension liability to obtain the net pension liability as of the measurement date.

Tahoe-Truckee Sanitation Agency

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

NOTE 7 PENSION (Continued):

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

The Agency's proportionate share of the net pension liability for the plan as of the measurement date June 30, 2015, was as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2014 (Valuation Date)	0.391281%
Proportion - June 30, 2015 (Measurement Date)	<u>0.389216%</u>
Change - Increase (Decrease)	<u>( 0.002065%)</u>

The Agency's proportionate share of the net pension liability for the plan as of the measurement date June 30, 2014, was as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2013 (Valuation Date)	0.340760%
Proportion - June 30, 2014 (Measurement Date)	<u>0.330640%</u>
Change - Increase (Decrease)	<u>( 0.010120%)</u>

The Agency recognized pension expense of \$1,077,757 and \$709,954 at June 30, 2016 and 2015, respectively.

At June 30, 2016, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of Assumptions	\$	(\$ 459,909)
Differences between Expected and Actual Experiences	48,611	
Differences between Actual and Required Contributions		( 624,361)
Adjustment due to Differences in Proportions	538,994	
Net Difference between Projected and Actual Earnings on Pension Plan Investments		<u>( 880,736)</u>
Total	<u>\$ 587,605</u>	<u>(\$ 1,965,006)</u>

Tahoe-Truckee Sanitation Agency

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

NOTE 7 PENSION (Continued):

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

It should be noted that a deferred outflow of \$503,167 was recognized as pension expense related to contributions subsequent to the measurement date, but because the entire amount was recognized as of June 30, 2016, this amount is not shown above. 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
2016	(\$ 591,916)
2017	( 579,193)
2018	( 500,999)
2019	294,707
2020	
Thereafter	
Total	<u>(\$ 1,377,401)</u>

At June 30, 2015, 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	\$ 525,985	\$
Differences between Actual and Required Contributions	73,463	
Net Difference between Projected and Actual Earnings on Pension Plan Investments		( 2,746,094)
Total	<u>\$ 599,448</u>	<u>(\$ 2,746,094)</u>



Tahoe-Truckee Sanitation Agency

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

NOTE 7 PENSION (Continued):

Actuarial Assumptions - The total pension liability in the June 30, 2015 and 2013 actuarial valuations was determined using the following actuarial assumptions:

	<u>Miscellaneous</u>
Valuation Date (VD)	June 30, 2016 and 2013
Measurement Date (MD)	June 30, 2015 and 2014
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase (1)	Varies By Age and Length of Service
Investment Rate of Return (2)	7.50%
Mortality Rate Table (3)	Derived using CalPERS' Membership Data
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

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

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

(3) The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

Discount Rate - The discount rate used to measure the total pension liability was 7.65%. 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 7.65% 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, 2015 based on June 30, 2016 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 7.65% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

Tahoe-Truckee Sanitation Agency

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

NOTE 7 PENSION (Continued):

Discount Rate (Continued):

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

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 11 years) and the long-term (11- 60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. 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.

Tahoe-Truckee Sanitation Agency

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

NOTE 7 PENSION (Continued):

Discount Rate (Continued):

Asset Class	New Strategic Allocation	Real Return Years 1 – 10 (a)	Real Return Years 11+ (b)
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	( 0.55%)	( 1.05%)
Total	<u>100.00%</u>		

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

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

Sensitivity of the 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 each 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:

At June 30, 2016, the discount rate comparison was the following:

	Discount Rate - 1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate + 1% (8.65%)
Plan's Net Pension Liability/(Asset)	\$ <u>17,450,605</u>	\$ <u>10,678,017</u>	\$ <u>5,086,460</u>

At June 30, 2015, the discount rate comparison was the following:

	Discount Rate - 1% (6.50%)	Current Discount Rate (7.50%)	Discount Rate + 1% (8.50%)
Plan's Net Pension Liability/(Asset)	\$ <u>14,559,571</u>	\$ <u>8,171,772</u>	\$ <u>2,870,506</u>

Tahoe-Truckee Sanitation Agency

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

NOTE 8 POST-RETIREMENT HEALTH CARE BENEFITS (OPEB):

Plan Description:

The Agency's defined benefit postemployment healthcare plan, California Employers' Retiree Benefit Trust (CERBT) provides post-retirement health care benefits to all employees who retire from the Agency on or after attaining age 50 with at least five years of service. CERBT is part of the Public Agency 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.

Plan Description (Continued):

The CERBT has 43 retirees and eligible members of their families receiving benefits and has a total of 133 active participants and dependents. Of that total, 126 are not yet eligible to receive benefits. The Board of Directors has the authority to establish and amend benefit provisions of the Plan.

Annual OPEB Cost and Net OPEB Obligation:

The Agency is required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC for the CERBT was \$22,359 and \$106,975 for the years ended June 30, 2016 and 2015, respectively. The Agency's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal years ended June 30, 2016 and 2015 were as follows:

June 30, 2016

Annual Required Contribution	\$ 22,359
Interest on OPEB Obligation	
Adjustment to Annual Required Contribution	
Annual OPEB Cost	\$ 22,359
Contributions Made	<u>444,304</u>
Change in Net OPEB Obligation (Asset)	(\$ 421,945)
Net OPEB Obligation (Asset), Beginning of Year	<u>( 6,421,375)</u>
Net OPEB Obligation (Asset), End of Year	<u><u>(\$ 6,843,320)</u></u>

Tahoe-Truckee Sanitation Agency

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

NOTE 8 POST-RETIREMENT HEALTH CARE BENEFITS (OPEB) (Continued):

Annual OPEB Cost and Net OPEB Obligation (Continued):

June 30, 2015

Annual Required Contribution	\$ 104,112
Interest on OPEB Obligation	
Adjustment to Annual Required Contribution	<u>2,863</u>
Annual OPEB Cost	\$ 106,975
Contributions Made	<u>446,970</u>
Change in Net OPEB Obligation (Asset)	(\$ 339,995)
Net OPEB Obligation (Asset), Beginning of Year	<u>( 6,081,380)</u>
Net OPEB Obligation (Asset), End of Year	<u><u>(\$ 6,421,375)</u></u>

Trend Information:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Actual Employer Contributions</u>	<u>Percentage Contributed</u>	<u>Net Ending OPEB (Asset)</u>
June 30, 2014	\$ 104,112	\$ 403,094	387.17%	(\$ 6,081,380)
June 30, 2015	\$ 106,975	\$ 446,970	417.83%	(\$ 6,421,375)
June 30, 2016	\$ 22,359	\$ 444,304	1987.14%	(\$ 6,843,320)

In addition to the contribution to the CERBT, the Agency paid retiree premiums directly to providers and was not reimbursed by the CERBT in the amount of \$444,304 and \$339,995 for the years ended June 30, 2016 and 2015, respectively.

Funding Status and Funding Progress:

As of June 30, 2015, the most recent actuarial valuation date, the plan was 118.6% funded. The actuarial accrued liability was \$7,525,123 and the actuarial value of assets was \$8,924,344 resulting in an unfunded actuarial accrued liability (UAAL) of negative \$1,399,221. The annual covered payroll was \$4,769,334 and the ratio of the UAAL to the annual covered payroll was negative 29.3%.

Actuarial valuations for an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to continuous revision as actual results are compared to past expectations and new estimates about the future are formulated. Although the valuation results are based on values that the Agency's actuarial consultant believes are reasonable assumptions, the valuation results reflect a long-term perspective and, as such, are merely an estimate of

Tahoe-Truckee Sanitation Agency

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

NOTE 8 POST-RETIREMENT HEALTH CARE BENEFITS (OPEB) (Continued):

Funding Status and Funding Progress (Continued):

what future costs may actually be. Deviations in any of several factors, such as future interest rates, medical cost inflation, Medicare coverage, and changes in marital status, could result in actual costs being less or greater than estimated.

The schedule of funding progress presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions:

Calculations of benefits for financial reporting purposes were based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used were designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The entry age normal actuarial cost method was used in the June 30, 2015 valuation. The individual components of the ARC were calculated as a level dollar amount. The actuarial assumptions included a 7.00% investment rate of return. The annual healthcare cost trend rate of 4.0% was the ultimate rate. Both the rate of return and the healthcare cost trend rate include an assumed inflation rate of 2.75%. The annual payroll cost adjustment was 2.75%. The actuarial valuation of CERBT assets used a 5-year smoothing formula with a 20% corridor around market value.

NOTE 9 PROPERTY TAXES:

The Agency has a gross assessed valuation of \$16.128 billion and \$14.527 billion for the fiscal years ended June 30, 2016 and 2015, 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.

Tahoe-Truckee Sanitation Agency

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

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 2016 and in 2015) 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 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, 2016, the Agency paid CSRMA \$177,243 for insurance coverage and received \$19,911 in dividends. During the year ended June 30, 2015, the Agency paid CSRMA \$172,392 for insurance coverage and received \$15,891 dividend. There were no payments of claims which fell under the \$25,000 deductible during the years ended June 30, 2016, and 2015.

NOTE 12 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 13 COMMITMENTS AND CONTINGENCIES:

The Agency has entered into construction and consulting commitments totaling \$1,030,227 and \$787,283 for fiscal years ended June 30, 2016 and 2015, respectively. As of June 30, 2016, the amount earned on the contracts was \$447,826 with a remaining balance of \$582,401. As of June 30, 2015, the amount earned on the contracts was \$437,518 with a remaining balance of \$349,765.

Tahoe-Truckee Sanitation Agency

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

NOTE 14 PRIOR PERIOD ADJUSTMENT CHANGES IN ACCOUNTING PRINCIPLES:

During the year ended June 30, 2015, the Agency adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement 68*. These Statements required the Agency to recognize in its accrual basis financial statements the net pension liability, deferred outflows of resources and deferred inflows of resources for the Agency's pension plan. These Statements also required contributions made after the June 30, 2014 measurement date used in the actuarial valuation for the pension plan to be reported as deferred outflows of resources. Due to the implementation of these statements, total net position as of July 1, 2014 has been restated resulting in a decrease in net position of \$10,455,626.



**REQUIRED SUPPLEMENTARY INFORMATION**

Tahoe-Truckee Sanitation Agency

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

June 30, 2016

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL As a % of Payroll</u>
6/30/2011	5,308,321	6,375,515	\$ 1,067,194	83.3%	4,975,528	21.4%
6/30/2013	7,604,638	6,875,388	( 729,250)	110.6%	4,591,264	-15.9%
6/30/2015	8,924,344	7,525,123	( 1,399,221)	118.6%	4,769,334	-29.3%

Note:

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

Tahoe-Truckee Sanitation Agency

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

As of June 30, 2016

LAST TEN YEARS\*

	<u>Measurement Date</u> <u>June 30, 2015</u>	<u>Measurement Date</u> <u>June 30, 2014</u>
Agency's Proportion of the Net Pension Liability/(Asset)	0.38922%	0.13133%
Agency's Proportionate Share of the Net Pension Liability/(Asset)	\$ 10,678,017	\$ 8,171,772
Agency's Covered-Employee Payroll	\$ 4,318,577	\$ 4,378,738
Agency's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	250.47%	186.62%
Agency's Proportionate Share of the Fiduciary Net Position as a Percentage of the Agency's Total Pension Liability	238.82%	83.03%
Agency's Proportionate Share of Aggregate Employer Contributions	\$ 1,350,847	\$ 1,081,095

Notes to Schedule:

Change of benefit terms – In 2016 and 2015, there were no changes to the benefit terms.

Changes in assumptions – In 2016, the discount rate changed from 7.50% (net of administrative expenses in 2014) to 7.65% as of June 30, 2015 measurement date to correct adjustments which previously reduced the discount rate for administrative expenses. There were no changes in assumptions during the measurement period ended June 30, 2014.

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

Tahoe-Truckee Sanitation Agency

SCHEDULE OF THE AGENCY'S PENSION PLAN CONTRIBUTIONS

As of June 30, 2016

LAST TEN YEARS\*

<u>Schedule of Pension Plan Contributions:</u>	Fiscal Year <u>2016</u>	Fiscal Year <u>2015</u>
Contractually required Contribution (actuarially determined)	\$ 758,644	\$ 709,954
Actual Contributions During the Measurement Period	( 758,644)	( 709,954)
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>
 Covered-employee payroll	 \$ 4,318,577	 \$ 4,378,738
Contributions as a percentage of covered-employee payroll	17.57%	16.21%

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

**SUPPLEMENTARY INFORMATION**

## COMPARISON OF BUDGET TO ACTUAL

For the Fiscal Year Ended June 30, 2016

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Positive (Negative) Variance With Budget
<u>Revenues:</u>				
Service and Other Charges	\$ 12,700,000	\$ 12,700,000	\$ 12,476,260	(\$ 223,740)
Property and In Lieu Taxes	<u>2,164,300</u>	<u>2,164,300</u>	<u>3,163,732</u>	<u>999,432</u>
	<u>\$ 14,864,300</u>	<u>\$ 14,864,300</u>	<u>\$ 15,639,992</u>	<u>\$ 775,692</u>
<u>Expenses:</u>				
Operations and Maintenance	\$ 12,852,890	\$ 12,852,890	\$ 11,849,464	\$ 1,003,426
Administrative and General	<u>2,164,300</u>	<u>2,164,300</u>	<u>1,639,732</u>	<u>524,568</u>
	<u>\$ 15,017,190</u>	<u>\$ 15,017,190</u>	<u>\$ 13,489,196</u>	<u>\$ 1,527,994</u>
Transfers from Rehab Reserve	<u>\$ 152,890</u>	<u>\$ 152,890</u>	<u>\$</u>	<u>(\$ 152,890)</u>
Total Positive Variance	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,150,796</u>	<u>\$ 2,150,796</u>

NOTE: Budget versus actual schedule includes only budgeted items.

## COMPARISON OF BUDGET APPROPRIATIONS TO ACTUAL EXPENDITURES

For the Fiscal Year Ended June 30, 2016

	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
<b>Budgeted Operating Expense:</b>									
Salaries and Wages	\$ 5,570,860	\$ 4,290,629	\$ 1,280,231	\$ 600,000	\$ 508,099	\$ 91,901	\$ 6,170,860	\$ 4,798,728	\$ 1,372,132
Employee Benefits	3,252,000	4,246,228	( 994,228)	355,000	526,688	( 171,688)	3,607,000	4,772,916	( 1,165,916)
Directors' Fees				12,000	4,400	7,600	12,000	4,400	7,600
Transportation Expense									
- Gas and Oil	22,000	10,637	11,363	6,500	2,796	3,704	28,500	13,433	15,067
Insurance				115,000	85,102	29,898	115,000	85,102	29,898
Memberships	16,230	14,883	1,347	27,000	22,918	27,000	43,230	37,801	5,429
Office Expense				95,000	58,468	36,532	95,000	58,468	36,532
Fees, Licenses and Permits				160,000	140,102	19,898	160,000	140,102	19,898
Operating Supplies	1,395,000	1,196,169	198,831				1,395,000	1,196,169	198,831
Contractual Services	824,200	581,682	242,518	95,000	61,097	33,903	919,200	642,779	276,421
Professional Services				250,000	195,633	54,367	250,000	195,633	54,367
Printing and Publications				32,000	16,646	15,354	32,000	16,646	15,354
Rents and Leases	19,500	10,447	9,053	5,000	3,979	1,021	24,500	14,426	10,074
Repairs and Maintenance	357,100	284,481	72,619	800		800	357,900	284,481	73,419
Research and Monitoring	85,000	106,175	( 21,175)				85,000	106,175	( 21,175)
Training	58,000	40,513	17,487	30,000	2,170	27,830	88,000	42,683	45,317
Uncollectible Accounts				13,000	3,605	9,395	13,000	3,605	9,395
Utilities	1,153,000	972,065	180,935	18,000	8,029	9,971	1,171,000	980,094	190,906
Equipment		4,602	( 4,602)	350,000		350,000	350,000	4,602	345,398
Instrumentation and Electrical	100,000	90,953	9,047				100,000	90,953	9,047
<b>Totals</b>	<b>\$ 12,852,890</b>	<b>\$ 11,849,464</b>	<b>\$ 1,003,426</b>	<b>\$ 2,164,300</b>	<b>\$ 1,639,732</b>	<b>\$ 547,486</b>	<b>\$ 15,017,190</b>	<b>\$ 13,489,196</b>	<b>\$ 1,527,994</b>