



***TAHOE-TRUCKEE SANITATION AGENCY***

Financial Statements  
Supplementary Information  
and  
Independent Auditor's Report

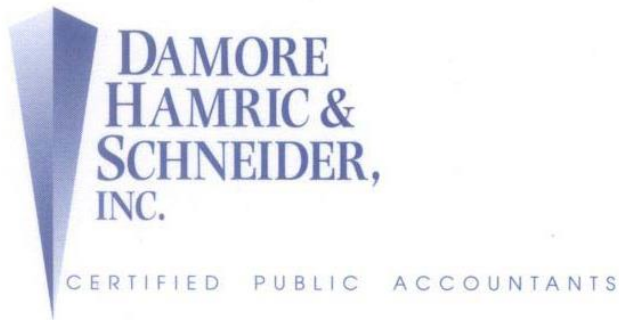
For the Fiscal Years Ended June 30, 2015 and 2014

Tahoe-Truckee Sanitation Agency

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June 30, 2015 and 2014

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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, 2015 and 2014, 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.

### **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, 2015 and 2014, 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 described in Note 1S to the basic financial statements, the Agency adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, and No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*, for the year ended June 30, 2015. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 10 and the required supplementary information related to the pension and post-employment healthcare plans on pages 46 through 48 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 opinions 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 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

December 3, 2015

## Tahoe-Truckee Sanitation Agency

### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015 and 2014

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, 2015. 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, 2015.

#### **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, 2015 and 2014

**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 decrease in Net Position of 9%. Two significant contributing factors for this decrease stem from the adoption of GASB 68 reporting requirements. The first significant factor is included in Long Term Liabilities for FYE 2015, and now includes a net pension liability of \$8,171,772. The second significant factor is the Deferred Pension Inflows for FYE 2015, which totals \$2,746,094. Unrestricted Current Liabilities at fiscal year ended 6/30/2015 decreased to \$1.5 million compared to \$1.6 million at fiscal year ended 6/30/2014.

The increase of 9% in the State Loan Restricted Reserve is the result of compliance with the State Water Resources Control Board loan agreement, which requires T-TSA to increase the balance in the State Revolving Fund Wastewater Capital Reserve account annually by .5% of the original \$50,158,367 loan amount.

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

	FYE 6/30/2015	FYE 6/30/2014	Change in Dollars	Percent Change
Current Assets	\$ 22,479,430	\$ 22,610,477	(\$ 131,047)	-1%
Restricted Assets	25,780,294	26,388,679	( 608,385)	-2%
Net Capital Assets	90,744,098	90,680,627	63,471	0%
Deferred Pension Outflows (Note 7)	599,448		599,448	100%
<b>Total Assets</b>	<b>\$ 139,603,270</b>	<b>\$ 139,679,783</b>	<b>(\$ 76,513)</b>	<b>0%</b>
Current Liabilities Unrestricted	\$ 1,542,693	\$ 1,595,458	(\$ 52,765)	-3%
Current Liabilities Restricted	2,941,244	2,920,725	20,519	1%
Long Term Liabilities	41,283,029	35,437,382	5,845,647	16%
Deferred Pension Inflows (Note 7)	2,746,094		2,746,094	100%
<b>Total Liabilities</b>	<b>\$ 48,513,060</b>	<b>\$ 39,953,565</b>	<b>\$ 8,559,495</b>	<b>21%</b>
Net Investment in Capital Assets	\$ 55,306,716	\$ 52,976,066	\$ 2,330,650	4%
Restricted for Wastewater Capital Reserve	21,746,415	22,588,422	( 842,007)	-4%
Restricted for State Loan	3,418,760	3,146,711	272,049	9%
Unrestricted	10,618,319	21,015,019	( 10,396,700)	-49%
<b>Total Net Position</b>	<b>\$ 91,090,210</b>	<b>\$ 99,726,218</b>	<b>(\$ 8,636,008)</b>	<b>-9%</b>

Tahoe-Truckee Sanitation Agency

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015 and 2014

**CHANGE IN NET POSITION**

Table A-2 represents the change in the Agency's net position. Operating expenses for FYE 2015 decreased to \$14.3 million compared to \$14.5 million in FYE 2014. The annual depreciation expense of \$3 million for FYE 2015 remained consistent with FYE 2014. Depreciation is included as an operating expense for each year; however, it is an expense requiring no cash outlay. The Agency had a net income of \$28 thousand before capital contributions, and a net gain of \$1.8 million after capital contributions and connection fees.

The Agency relies on property tax revenue, classified as non-operating revenue, to fund a portion of its general and administrative operating expenses. Property tax revenue of \$2.7 million was consistent with prior year and provided a source of revenue that T-TSA relies upon. T-TSA also relies on connection fee income for capital improvement projects. Connection fee revenue increased by 9% compared to prior year due to increased construction projects in FYE 2015, in contrast to the activity in FYE 2014.

The Net Pension Liability Adjustment amount of \$10,455,626, based on Adoption of GASB 68, was a significant factor in the decrease in net position of 9% (see Note 7 for further information).

**Table A-2**  
Condensed Statement of Revenues, Expenses and Changes in Net Position

	FYE 6/30/2015	FYE 6/30/2014	Change in Dollars	Percent Change
Operating Revenues/Service Charges	\$ 12,314,663	\$ 12,426,837	(\$ 112,174)	- 1%
Operating Expenses	<u>14,271,396</u>	<u>14,500,378</u>	<u>( 228,982)</u>	- 2%
Net Operating Loss	(\$ 1,956,733)	(\$ 2,073,541)	\$ 116,808	- 6%
Property Tax Revenues	\$ 2,726,625	\$ 2,743,466	(\$ 16,841)	- 1%
Other Non-Operating Revenues & Expenses	<u>( 741,843)</u>	<u>( 805,110)</u>	<u>63,267</u>	- 8%
Non-Operating Revenues & Expenses	<u>\$ 1,984,782</u>	<u>\$ 1,938,356</u>	<u>\$ 46,426</u>	2%
Income (Loss) Before Capital Contributions	\$ 28,049	(\$ 135,185)	\$ 163,234	- 121%
Capital Contributions/Connection Fees	<u>1,791,569</u>	<u>1,639,117</u>	<u>152,452</u>	9%
Change in Net Position	<u>\$ 1,819,618</u>	<u>\$ 1,503,932</u>	<u>\$ 315,686</u>	21%
Net Position, Beginning of Year, before Restatement	\$ 99,726,218	\$ 98,222,286	\$ 1,503,932	2%
Prior Period Adjustment per Implementation of GASB 68 (Note 14)	<u>10,455,626</u>	<u>                    </u>	<u>10,455,626</u>	100%
Net Position, Beginning of Year, after Restatement	<u>\$ 89,270,592</u>	<u>\$ 98,222,286</u>	<u>( \$ 8,951,694)</u>	100%
Ending Net Position	<u><u>\$ 91,090,210</u></u>	<u><u>\$ 99,726,218</u></u>	<u><u>( \$ 8,636,008)</u></u>	- 9%



Tahoe-Truckee Sanitation Agency

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015 and 2014

**BUDGETARY HIGHLIGHTS**

Table A-3 demonstrates a positive variance in service charge revenue and property tax revenue. Setting adequate levels of rates and charges have resulted in the Agency's ability to operate and maintain the plant and to service the debt requirements of the State of California's Revolving Fund Loan for the portions of the Expansion Project that benefit current users. The positive variance in property tax revenue is due to a conservative approach to budget estimates in the uncertain climate of property tax allocation in the State of California. The actual Operations & Maintenance and Administrative & General expenses are less than the budgeted amount because of a combination of maintaining vacant employee positions due to employee retirements and staff reorganization, of postponing some budgeted contractual services and capital projects into the following budget year, and experiencing more favorable utility rates and chemical costs than were projected.

**Table A-3**  
Budgeted Summary

	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Service & Other Charge Revenue	\$ 12,301,250	\$ 12,314,663	\$ 13,413
Property & In Lieu Tax Revenue	<u>2,178,200</u>	<u>2,726,625</u>	<u>548,425</u>
Total Operating Revenue	<u>\$ 14,479,450</u>	<u>\$ 15,041,288</u>	<u>\$ 561,838</u>
Operations & Maintenance	\$ 12,391,250	\$ 9,795,687	\$ 2,595,563
Administrative & General	<u>1,751,200</u>	<u>1,470,909</u>	<u>280,291</u>
Total Operating Expenses	<u>\$ 14,142,450</u>	<u>\$ 11,266,596</u>	<u>\$ 2,875,854</u>
Transfers from Rehab Reserve	<u>\$ 90,000</u>	<u>\$</u>	<u>(\$ 90,000)</u>
Total Positive Variance	<u><u>\$ 427,000</u></u>	<u><u>\$ 3,774,692</u></u>	<u><u>\$ 3,347,692</u></u>

Tahoe-Truckee Sanitation Agency

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015 and 2014

**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, 2015 and 2014

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

<u>Current Assets:</u>	<u>2015</u>	<u>2014</u>
Cash and Cash Equivalents	\$ 21,884,149	\$ 21,974,756
Accrued Interest Receivable	16,466	12,207
Accounts Receivable	163,499	169,772
Inventory	120,058	127,146
Due from Other Governmental Agencies	<u>295,258</u>	<u>326,596</u>
Total Current Assets	<u>\$ 22,479,430</u>	<u>\$ 22,610,477</u>
<u>Restricted Assets:</u>		
Cash and Cash Equivalents	\$ 25,755,051	\$ 26,370,222
Accrued Interest Receivable	16,487	13,925
Accounts Receivable - Connection Fees	<u>8,756</u>	<u>4,532</u>
Total Restricted Assets	<u>\$ 25,780,294</u>	<u>\$ 26,388,679</u>
Net Capital Assets	<u>\$ 90,744,098</u>	<u>\$ 90,680,627</u>
<u>Deferred Outflows of Resources:</u>		
Deferred Pension Outflows (Note 7)	<u>\$ 599,448</u>	<u>\$</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$ 139,603,270</u></u>	<u><u>\$ 139,679,783</u></u>

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

Tahoe-Truckee Sanitation Agency

STATEMENTS OF NET POSITION

June 30, 2015 and 2014

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

<u>Current Liabilities (Payable from Current Assets):</u>	<u>2015</u>	<u>2014</u>
Accounts Payable	\$ 328,191	\$ 455,846
Compensated Absences Payable	1,072,398	1,063,480
Customer Deposits	1,700	1,400
Accrued Expenses	<u>140,404</u>	<u>74,732</u>
Total Current Liabilities (Payable from Current Assets)	<u>\$ 1,542,693</u>	<u>\$ 1,595,458</u>
<u>Current Liabilities (Payable from Restricted Assets):</u>		
Accounts Payable	\$ 871	\$
Accrued Interest Payable	614,248	653,546
Loan Payable - State of California, Current Portion	<u>2,326,125</u>	<u>2,267,179</u>
Total Current Liabilities (Payable from Restricted Assets)	<u>\$ 2,941,244</u>	<u>\$ 2,920,725</u>
<u>Long-Term Liabilities:</u>		
Loan Payable - State of California, Net of Current Portion	\$ 33,111,257	\$ 35,437,382
Net Pension Liability (Note 7)	<u>8,171,772</u>	<u></u>
Total Long -Term Liabilities	<u>\$ 41,283,029</u>	<u>\$ 35,437,382</u>
<u>Deferred Inflows of Resources:</u>		
Deferred Pension Inflows (Note 7)	<u>\$ 2,746,094</u>	<u>\$</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 48,513,060</u>	<u>\$ 39,953,565</u>
<u>Net Position:</u>		
Net Investment in Capital Assets	\$ 55,306,716	\$ 52,976,066
Restricted for Waste Water Capital Reserve	21,746,415	22,588,422
Restricted for State Loan Repayment	3,418,760	3,146,711
Unrestricted	<u>10,618,319</u>	<u>21,015,019</u>
Total Net Position	<u>\$ 91,090,210</u>	<u>\$ 99,726,218</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 139,603,270</u>	<u>\$ 139,679,783</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, 2015 and 2014

<u>Operating Revenues:</u>	<u>2015</u>	<u>2014</u>
Service Charges	\$ 12,247,486	\$ 12,189,791
Other Services	67,177	237,046
 Total Operating Revenues	 \$ 12,314,663	 \$ 12,426,837
 <u>Operating Expenses:</u>		
Operations & Maintenance	\$ 9,795,687	\$ 10,042,129
Administrative & General	1,470,909	1,455,547
Depreciation	3,004,800	3,002,702
 Total Operating Expenses	 \$ 14,271,396	 \$ 14,500,378
 Operating Loss	 (\$ 1,956,733)	 (\$ 2,073,541)
 <u>Non-Operating Revenues (Expenses):</u>		
Property Taxes	\$ 2,497,457	\$ 2,324,977
Interest Earned	128,960	120,047
Interest Expense	( 941,021)	( 999,470)
In-Lieu Taxes	229,168	418,489
Aid from Other Governmental Agencies	24,083	26,120
Other Income	46,135	48,193
 Total Non-Operating Revenues (Expenses)	 \$ 1,984,782	 \$ 1,938,356
 Net Income (Loss) Before Capital Contributions	 \$ 28,049	 (\$ 135,185)
 Capital Contributions - Connection Fees	 1,791,569	 1,639,117
 Change in Net Position	 \$ 1,819,618	 \$ 1,503,932
 Net Position, Beginning of Year, before Restatement	 \$ 99,726,218	 \$ 98,222,286
 Prior Period Adjustment per Implementation of GASB 68 (Note 14)	 10,455,626	 _____
 Net Position, Beginning of Year, after Restatement	 \$ 89,270,592	 \$ 98,222,286
 Net Position, End of Year	 \$ 91,090,210	 \$ 99,726,218

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, 2015 and 2014

<u>Cash Flows from Operating Activities:</u>	<u>2015</u>	<u>2014</u>
Receipts from Customers	\$ 12,321,236	\$ 12,423,661
Payments to Suppliers	( 3,883,449)	( 4,024,769)
Payments to Employees	( 7,560,933)	( 7,464,573)
Other Payments	( 5,400)	( 3,800)
Net Cash Provided by Operating Activities	<u>\$ 871,454</u>	<u>\$ 930,519</u>
<u>Cash Flows from Noncapital Financing Activities:</u>		
Property Taxes Collected	\$ 2,528,795	\$ 2,717,908
Aid from Other Governmental Agencies and Other Income	<u>299,386</u>	<u>86,061</u>
Net Cash Provided by Noncapital Financing Activities	<u>\$ 2,828,181</u>	<u>\$ 2,803,969</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>		
Acquisition of Capital Assets	(\$ 3,067,400)	(\$ 494,850)
Principal Payment on Loan	( 2,267,179)	( 2,209,726)
Interest Payments on Loan	( 980,319)	( 1,037,771)
Capital Contributions	<u>1,787,345</u>	<u>1,645,669</u>
Net Cash Used by Capital and Related Financing Activities	<u>(\$ 4,527,553)</u>	<u>(\$ 2,096,678)</u>
<u>Cash Flows from Investing Activities:</u>		
Interest Received on Investments	<u>\$ 122,140</u>	<u>\$ 121,390</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(\$ 705,778)	\$ 1,759,200
Cash and Cash Equivalents, Beginning of Year	<u>48,344,978</u>	<u>46,585,778</u>
Cash and Cash Equivalents, End of Year	<u>\$ 47,639,200</u>	<u>\$ 48,344,978</u>
<u>Cash and Cash Equivalents Classified in the Balance Sheet:</u>		
Current Assets	\$ 21,884,149	\$ 21,974,756
Restricted Assets	<u>25,755,051</u>	<u>26,370,222</u>
	<u>\$ 47,639,200</u>	<u>\$ 48,344,978</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, 2015 and 2014

Reconciliation of Operating Loss

to Net Cash Provided by Operating Activities:

	<u>2015</u>	<u>2014</u>
Operating Loss	(\$ 1,956,733)	(\$ 2,073,541)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:		
Depreciation	\$ 3,004,800	\$ 3,002,702
Changes in Assets, Deferred Outflows of Resources, Liabilities and Deferred Inflows of Resources:		
Decrease/(Increase) in Accounts Receivable	6,273 (	2,976)
Decrease/(Increase) in Inventory	7,088	38,856
Changes in Deferred Outflows of Resources	( 137,208)	
Increase/(Decrease) in Accounts Payable	( 127,655)	74,593
Increase/(Decrease) in Accrued Compensated Absences	8,918 (	37,917)
Decrease in Customer Deposits	300 (	200)
Increase/(Decrease) in Accrued Expenses	<u>65,671 (</u>	<u>70,998)</u>
Total Adjustments	<u>\$ 2,828,187</u>	<u>\$ 3,004,060</u>
Net Cash Provided by Operating Activities	<u>\$ 871,454</u>	<u>\$ 930,519</u>

Noncash Transactions:

Increase in Net Pension Liability	\$ 8,171,772
Deferred Pension Inflows	2,746,094
Deferred Pension Outflows	( 599,448)
Pension Expense	<u>137,208</u>
Prior Period Adjustment (Note 14)	<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, 2015 and 2014

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, 2015 and 2014

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, 2015 and 2014, respectively.

Tahoe-Truckee Sanitation Agency

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

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, 2015 and 2014

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, 2015 and 2014 were \$10,618,319 and \$21,015,019, 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, 2015 and 2014

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.

Tahoe-Truckee Sanitation Agency

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

- R. Reclassifications - Certain amounts in fiscal year 2014 have been reclassified to conform to the fiscal year 2015 presentation.
- S. Accounting Pronouncements that have been Implemented in the Current Financial Statements - In June 2012, the GASB issued Statement No. 68 – *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014, therefore, the Agency implemented this Statement in fiscal year ending June 30, 2015, which required a restatement to the Agency’s financial statements. The financial statements for fiscal year ended June 30, 2014 could not be restated as the information required to do so was not readily available. See Note 7 for additional information.

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

- T. Newly Issued Accounting Pronouncements, But Not Yet Effective - The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2015, that have effective dates that may impact future financial presentations.

Tahoe-Truckee Sanitation Agency

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

T. Newly Issued Accounting Pronouncements, But Not Yet Effective (Continued):

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

Governmental Accounting Standards Board Statement No. 73 - In June 2015, the GASB issued Statement No. 73 – *Accounting and Financial Reporting for Pensions*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement establishes requirements for defined benefit pensions that are not within the Scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68 for pension plans as pensions that are within their respective scopes. The requirements of this statement that address accounting and financial reporting by employers and governmental non-employer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after

Tahoe-Truckee Sanitation Agency

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

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

December 15, 2015. The requirements of this Statement for pension plans that are within the scope of Statement No. 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. The impact of the implementation of this Statement to the Agency's financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 74 - In June 2015, the GASB issued Statement No. 74 – *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness or information about postemployment benefits other than pensions (other postemployment benefits of OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.

This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures*. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2016. The impact of the implementation of this Statement to the Agency's financial statements has not been assessed at this time.

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*. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

Tahoe-Truckee Sanitation Agency

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

T. Governmental Accounting Standards Board Statement No. 75 (Continued):

This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2017. The impact of the implementation of this Statement to the Agency's financial statements has not been assessed at this time.

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

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



Tahoe-Truckee Sanitation Agency

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

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

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.

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.

Tahoe-Truckee Sanitation Agency

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 2 CASH AND INVESTMENTS:

A. Deposits:

*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 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).

The carrying amounts of the Agency's deposits were \$1,715,067 and \$1,142,994 while the banks' balances were \$1,785,508 and \$1,199,659 for the years ended June 30, 2015 and 2014, respectively. Of these amounts, \$396,564 and \$381,734 were covered by federal depository insurance, \$1,388,945 and \$817,925 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.

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.

Tahoe-Truckee Sanitation Agency

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 2 CASH AND INVESTMENTS (Continued):

B. Investments:

*Interest Rate Risk* - Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As of the end of the year, the Agency had the following investments:

	2015		2014	
	Carrying Amount	Market Value	Carrying Amount	Market Value
LAIF	<u>\$ 45,924,133</u>	<u>\$ 45,941,400</u>	<u>\$ 47,201,984</u>	<u>\$ 47,216,086</u>

*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.

Structured notes and asset-backed securities comprised 2.08% and 1.71% of LAIF's total portfolio for all investors as of June 30, 2015 and 2014, respectively. Fair value of a pool share was \$1.000375979 and \$1.00029875 for those same periods. The cost value of a pool share was constant at \$1.00.

*Credit Risk* - Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The 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, 2015 and 2014

NOTE 2 CASH AND INVESTMENTS (Continued):

B. Investments (Continued):

<u>Summary of Cash and Investments:</u>	<u>2015</u>	<u>2014</u>
Cash Deposits	\$ 1,715,067	\$ 1,142,994
Investments	<u>45,924,133</u>	<u>47,201,984</u>
Total	<u>\$ 47,639,200</u>	<u>\$ 48,344,978</u>

Balance Sheet Classification:

<u>Cash and Cash Equivalents:</u>		
Unrestricted	\$ 21,884,149	\$ 21,974,756
Restricted	<u>25,755,051</u>	<u>26,370,222</u>
Total	<u>\$ 47,639,200</u>	<u>\$ 48,344,978</u>

NOTE 3 ACCOUNTS RECEIVABLE:

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

	<u>2015</u>	<u>2014</u>
Service Charges - Regular Collections	\$ 80,580	\$ 79,321
Property Taxes	43,856	65,642
Other	<u>39,063</u>	<u>24,809</u>
	<u>\$ 163,499</u>	<u>\$ 169,772</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, 2015 and 2014

NOTE 4 RESTRICTED ASSETS:

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

	Waste Water Capital Reserve	State Loan	Total
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>

Restricted assets as of June 30, 2014 are identified by use as follows:

	Waste Water Capital Reserve	State Loan	Total
Cash and Cash Equivalents	\$ 23,225,241	\$ 3,144,981	\$ 26,370,222
Accrued Interest Receivable	12,195	1,730	13,925
Accounts Receivable	<u>4,532</u>		<u>4,532</u>
Total Restricted Assets	<u>\$ 23,241,968</u>	<u>\$ 3,146,711</u>	<u>\$ 26,388,679</u>
<u>Current Liabilities Payable</u>			
<u>from Restricted Assets:</u>			
Accrued Interest Payable	\$ 653,546	\$	\$ 653,546
Current Portion of Long-Term Debt	<u>2,267,179</u>		<u>2,267,179</u>
Total Current Liabilities (Payable from Restricted Assets)	<u>\$ 2,920,725</u>	<u>\$ 0</u>	<u>\$ 2,920,725</u>

Tahoe-Truckee Sanitation Agency

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 5 CAPITAL ASSETS:

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

Capital asset activity for the year ended June 30, 2014 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	\$ 135,241,993	\$ 248,250	\$	\$ 135,490,243
General Plant and Equipment	3,673,512	164,165	89,722	3,747,955
Vehicles	1,272,495	52,853	105,251	1,220,097
Total Capital Assets being Depreciated	\$ 140,188,000	\$ 465,268	\$ 194,973	\$ 140,458,295
Less Accumulated Depreciation for:				
Sewage Treatment and Collection	\$ 45,004,075	\$ 2,714,403	\$	\$ 47,718,478
General Plant and Equipment	2,969,540	215,306	89,721	3,095,125
Vehicles	1,171,049	72,993	105,251	1,138,791
Total Depreciation	\$ 49,144,664	\$ 3,002,702	\$ 194,972	\$ 51,952,394
Net Capital Assets	\$ 93,218,062	(\$ 2,537,434)	\$ 1	\$ 90,680,627

Tahoe-Truckee Sanitation Agency

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

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 to borrow funds for the construction of additional sewage processing facilities. 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, 2015, 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>
2016	\$ 2,326,125	\$ 921,372
2017	2,386,605	860,893
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	 \$ 35,437,382	 \$ 6,780,081
Less - Current Portion	<u>2,326,125</u>	<u>921,372</u>
Long-Term Portion	<u>\$ 33,111,257</u>	<u>\$ 5,858,709</u>

The following is a summary of loan transactions for the years ended June 30, 2015 and 2014:

	<u>Balance July 1,</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30,</u>	<u>Amount Due Within One Year</u>
	<u>2014</u>			<u>2015</u>	
Loans Payable	\$ 37,704,561	\$ 0	\$ 2,267,179	\$ 35,437,382	\$ 2,326,125
	<u>2013</u>			<u>2014</u>	
Loans Payable	\$ 39,914,287	\$ 0	\$ 2,209,726	\$ 37,704,561	\$ 2,267,179

Total interest expense was \$941,021 and \$999,470 for the years ended June 30, 2015 and 2014, respectively. Interest was expensed to operations for both years.

Tahoe-Truckee Sanitation Agency

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 7 PENSION:

General Information about the Pension Plan:

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

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments are applied as specified by the Public Employees' Retirement Law.

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



Tahoe-Truckee Sanitation Agency

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 7 PENSION (Continued):

General Information about the Pension Plan (Continued):

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

	<u>Miscellaneous</u>	
	<u>Prior to January 1, 2013</u>	<u>On or after January 1, 2013</u>
Hire date	2.7% @ 55	2.0% @ 62
Benefit formula	5 years service	5 years service
Benefit vesting schedule	monthly for life	monthly for life
Benefit payments	50 - 55	52 - 67
Retirement age	2.0% to 2.7%	1.0% to 2.5%
Monthly benefits, as a % of eligible compensation	8%	6.7%
Required employee contribution rates	17.252%	6.5%
Required employer contribution rates		

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

Contribution Description - Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. For public 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.

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

	<u>Miscellaneous</u>
Contributions - employer	\$ 758,644
Contributions - employee (paid by employer)	<u>355,057</u>
Total employer paid contributions	<u>\$ 1,113,701</u>

Tahoe-Truckee Sanitation Agency

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 7 PENSION (Continued):

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions - As of June 30, 2015, the Agency reported net pension liability of \$8,171,772 for its proportionate share of the net pension liability. The Agency's net pension liability was measured as the proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The Agency's 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 individual employer rate plan's proportionate share percentage of the total pension liability and fiduciary net position as of June 30, 2013, was calculated by dividing the estimated amounts for each employer rate plan at June 30, 2013, by the collective amounts for the respective risk pool as of June 30, 2013. These rates were then applied to the respective risk pool's total pension liability and fiduciary net position as of June 30, 2014, to obtain each employer rate plan's total pension liability and fiduciary net position as of June 30, 2014. Each employer rate plan's fiduciary net position was then subtracted from its total pension liability to obtain the net pension liability as of the measurement date. The Agency's proportionate share percentage at the measurement date was calculated by dividing the Agency's net pension liability for each of its employer rate plans by the net pension liability as of the measurement date.

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

	<u>Miscellaneous</u>
Proportion - June 30, 2013 (Valuation Date)	0.14059%
Proportion - June 30, 2014 (Measurement Date)	<u>0.13133%</u>
Change - Increase (Decrease)	<u>( 0.00926%)</u>

Tahoe-Truckee Sanitation Agency

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 7 PENSION (Continued):

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

As a result of the implementation of the GASB 68 pronouncement at June 30, 2015, the Agency recognized pension expense of \$709,954 and \$0 at June 30, 2015 and 2014, respectively.

At June 30, 2015, 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>
Pension contributions subsequent to measurement date	\$ 525,985	\$
Differences between actual and expected experience:		
Changes in assumptions		
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	73,463	
Net differences between projected and actual earnings on plan investments		( 2,746,094)
Total	<u>\$ 599,448</u>	<u>\$ (2,746,094)</u>

\$525,985 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Actuarially Determined Deferred Outflows/(Inflows) - Miscellaneous Plan</u>			
<u>Fiscal Year Ending June 30:</u>	<u>Adjustment Due to Differences in Proportions</u>	<u>Difference between Projected and Actual Earnings on Pension Plan Investments</u>	<u>Net, Deferred Outflow/(Inflows) of Resources</u>
2016	\$ 40,813	\$ 686,524	(\$ 645,711)
2017	32,650	686,524	( 653,874)
2018		686,522	( 686,522)
2019			
2020			
Thereafter			
Total	<u>\$ 73,463</u>	<u>\$ 2,059,570</u>	<u>(\$ 1,986,107)</u>

Tahoe-Truckee Sanitation Agency

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 7 PENSION (Continued):

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

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

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

<sup>(2)</sup> Net of pension plan investment expenses, including inflation

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

Discount Rate – The discount rate used to measure the total pension liability was 7.50% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

Tahoe-Truckee Sanitation Agency

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 7 PENSION (Continued):

Discount Rate (Continued):

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

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

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11- 60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. 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.

Tahoe-Truckee Sanitation Agency

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 7 PENSION (Continued):

Discount Rate (Continued):

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

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

	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, 2015 and 2014

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.

The CERBT has 38 retirees and eligible members of their families receiving benefits and has a total of 126 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 \$106,975 and \$104,112 for the years ended June 30, 2015 and 2014, 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, 2015 and 2014 were as follow:

Tahoe-Truckee Sanitation Agency

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

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>

June 30, 2014

Annual Required Contribution	\$ 104,112
Interest on OPEB Obligation	
Adjustment to Annual Required Contribution	<u>                    </u>
Annual OPEB Cost	\$ 104,112
Contributions Made	<u>403,094</u>
Change in Net OPEB Obligation (Asset)	(\$ 298,982)
Net OPEB Obligation (Asset), Beginning of Year	( <u>5,782,398</u> )
Net OPEB Obligation (Asset), End of Year	<u><u>(\$ 6,081,380)</u></u>



Tahoe-Truckee Sanitation Agency

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

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

Trend Information:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Actual Employer Contributions</u>	<u>Percentage Contributed</u>	<u>Net Ending OPEB (Asset)</u>
June 30, 2013	\$ 213,047	\$ 501,382	235.34%	(\$ 5,782,398)
June 30, 2014	\$ 104,112	\$ 403,094	387.17%	(\$ 6,081,380)
June 30, 2015	\$ 106,975	\$ 446,970	417.83%	(\$ 6,421,375)

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 \$339,995 and \$298,982 for the years ended June 30, 2015 and 2014, respectively.

Funding Status and Funding Progress:

As of June 30, 2013, the most recent actuarial valuation date, the plan was 110.6% funded. The actuarial accrued liability was \$6,875,388 and the actuarial value of assets was \$7,604,638 resulting in an unfunded actuarial accrued liability (UAAL) of negative \$729,250. The annual covered payroll was \$4,591,264 and the ratio of the UAAL to the annual covered payroll was negative 15.88%.

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 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.

Tahoe-Truckee Sanitation Agency

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

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

Funding Status and Funding Progress (Continued):

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, 2013 valuation. The individual components of the ARC were calculated as a level dollar amount. The actuarial assumptions included a 7.25% 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 \$14.527 billion and \$13.712 billion for the fiscal years ended June 30, 2015 and 2014, 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, 2015 and 2014

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 60 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 2015 and in 2014) 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, 2015, the Agency paid CSRMA \$172,392 for insurance coverage and received \$15,891 dividend. During the year ended June 30, 2014, the Agency paid CSRMA \$194,800 for insurance coverage and received \$17,924 dividend. There were no payments of claims, which fell under the \$25,000 deductible during the years ended June 30, 2015, and 2014.

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 \$787,283 and \$406,027 for fiscal years ended June 30, 2015 and 2014, respectively. As of June 30, 2015, the amount earned on the contracts was \$437,518 with a remaining balance of \$349,765. As of June 30, 2014, the amount earned on the contracts was \$300,974 with a remaining balance of \$105,053.

Tahoe-Truckee Sanitation Agency

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 14 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, a pension liability of \$8,171,772, deferred inflows of resources of \$2,746,094 and deferred outflows of resources of \$599,448 were recorded as of June 30, 2015; Total net position as of July 1, 2014 was restated compared to the amounts reported in the June 30, 2014 financial statements, resulting in a decrease in net position of \$10,455,626.

**REQUIRED SUPPLEMENTARY INFORMATION**

Tahoe-Truckee Sanitation Agency

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

June 30, 2015

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL As a % of Payroll
10/1/2009	\$ 4,451,267	\$ 4,923,927	\$ 472,660	90.4%	\$ 4,641,793	10.2%
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%

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, 2015

LAST TEN YEARS\*

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

Notes to Schedule:

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

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

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

Tahoe-Truckee Sanitation Agency

SCHEDULE OF THE AGENCY'S PENSION PLAN CONTRIBUTIONS

As of June 30, 2015

LAST TEN YEARS\*

	Fiscal Year 2013-2014
Contractually required contribution (actuarially determined)	\$ 709,954
Contributions in relation to the actuarially determined contributions	( 709,954)
Contribution deficiency (excess)	<u>\$ 0</u>
 Covered-employee payroll	 \$ 4,378,738
 Contributions as a percentage of covered-employee payroll	 16.21%
Notes to Schedule:	
Valuation date:	June 30, 2013

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



**SUPPLEMENTARY INFORMATION**

## COMPARISON OF BUDGET TO ACTUAL

For the Fiscal Year Ended June 30, 2015

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Positive (Negative) Variance With Budget
<u>Revenues:</u>				
Service and Other Charges	\$ 12,301,250	\$ 12,301,250	\$ 12,314,663	\$ 13,413
Property and In Lieu Taxes	<u>2,178,200</u>	<u>2,178,200</u>	<u>2,726,625</u>	<u>548,425</u>
	<u>\$ 14,479,450</u>	<u>\$ 14,479,450</u>	<u>\$ 15,041,288</u>	<u>\$ 561,838</u>
<u>Expenses:</u>				
Operations and Maintenance	\$ 12,391,250	\$ 12,391,250	\$ 9,795,687	\$ 2,595,563
Administrative and General	<u>2,178,200</u>	<u>1,751,200</u>	<u>1,470,909</u>	<u>280,291</u>
	<u>\$ 14,569,450</u>	<u>\$ 14,142,450</u>	<u>\$ 11,266,596</u>	<u>\$ 2,875,854</u>
Transfers from Rehab Reserve	<u>\$ 90,000</u>	<u>\$ 90,000</u>	<u>\$</u>	<u>(\$ 90,000)</u>
Total Positive Variance	<u>\$ 0</u>	<u>\$ 427,000</u>	<u>\$ 3,774,692</u>	<u>\$ 3,774,692</u>

NOTE: Budget versus actual schedule includes only budgeted items.

COMPARISON OF BUDGET APPROPRIATIONS TO ACTUAL EXPENDITURES

For the Fiscal Year Ended June 30, 2015

	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
<u>Budgeted Operating Expense:</u>									
Salaries and Wages	\$ 5,421,883	\$ 4,210,689	\$ 1,211,194	\$ 700,000	\$ 558,646	\$ 141,354	\$ 6,121,883	\$ 4,769,335	\$ 1,352,548
Employee Benefits	3,169,687	2,469,218	700,469	355,000	194,089	160,911	3,524,687	2,663,307	861,380
Directors' Fees				12,000	5,400	6,600	12,000	5,400	6,600
Transportation Expense									
- Gas and Oil	22,000	16,271	5,729	6,500	5,459	1,041	28,500	21,730	6,770
Insurance					83,787	( 83,787)		83,787	( 83,787)
Memberships	16,230	13,306	2,924	23,000	22,125	875	39,230	35,431	3,799
Office Expense				85,000	58,111	26,889	85,000	58,111	26,889
Fees, Licenses and Permits		313	( 313)	143,900	139,474	4,426	143,900	139,787	4,113
Operating Supplies	1,293,950	1,074,325	219,625				1,293,950	1,074,325	219,625
Contractual Services	650,600	554,011	96,589	95,000	80,349	14,651	745,600	634,360	111,240
Professional Services				250,000	277,296	( 27,296)	250,000	277,296	( 27,296)
Printing and Publications				32,000	20,837	11,163	32,000	20,837	11,163
Rents and Leases	18,800	8,590	10,210	5,000	4,421	579	23,800	13,011	10,789
Repairs and Maintenance	357,100	244,768	112,332	800		800	357,900	244,768	113,132
Research and Monitoring	85,000	91,199	( 6,199)				85,000	91,199	( 6,199)
Training	58,000	55,394	2,606	12,000	3,277	8,723	70,000	58,671	11,329
Uncollectible Accounts				13,000	9,377	3,623	13,000	9,377	3,623
Utilities	1,198,000	973,961	224,039	18,000	8,261	9,739	1,216,000	982,222	233,778
Instrumentation and Electrical	100,000	83,642	16,358				100,000	83,642	16,358
Totals	<u>\$ 12,391,250</u>	<u>\$ 9,795,687</u>	<u>\$ 2,595,563</u>	<u>\$ 1,751,200</u>	<u>\$ 1,470,909</u>	<u>\$ 280,291</u>	<u>\$ 14,142,450</u>	<u>\$ 11,266,596</u>	<u>\$ 2,875,854</u>