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TUOLUMNE UTILITIES DISTRICT

Annual Financial Report June 30, 2019

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Tuolumne Utilities District

Annual Financial Report

June 30, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Tuolumne Utilities District
Sonora, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Tuolumne Utilities District (the District), which comprise the statements of net position of the Water Fund and Sewer Fund as of June 30, 2019, and the related statements of revenues, expenses, changes in net position, and cash flows for the year then ended and the related notes to the financial statements, which collectively comprise the District's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

To the Board of Directors
Tuolumne Utilities District

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District's Water Fund and Sewer Fund as of June 30, 2019 and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Other Matters

Required Supplementary Information

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

Richardson & Company, LLP

January 3, 2020

Management's Discussion and Analysis

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Introduction

In this discussion and analysis, management provides an overview of the Tuolumne Utilities District's ("the District") financial position at June 30, 2019 and its financial performance for the year then ended. Condensed financial information from 2018 is also presented for comparison only. Limited information is presented about conditions and events that may affect the District's future financial position and performance. The intent is to provide context for understanding the financial statements and the District's prospects, and assistance interpreting the financial statements. This discussion and analysis present management's perspective and should be read in conjunction with the District's financial statements and accompanying notes which follow this discussion and analysis.

Financial Statements

The District's financial statements include a statement of net position; a statement of revenues, expenses and changes in net position; and a statement of cash flows. These financial statements, together with the related footnotes, are known as the "basic financial statements" and comply with generally accepted accounting principles, which for all state and local governments including the District, are set forth in Governmental Accounting Standards Board (GASB) Statements. In many, but not all cases, GASB Statements incorporate the provisions of Financial Accounting Standards Board Statements which establish generally accepted accounting principles for nongovernmental entities. The District's activities are business-type activities and are accounted for as an enterprise fund. The accounting principles for an enterprise fund more closely resemble those of a commercial entity than a government.

Statement of Net Position

The statement of net position provides information about assets, obligations (liabilities), and net position of the District at a specific point in time. All amounts (except for investments in marketable debt securities) are shown at cost. Therefore, the liabilities, and net position sections of this statement reveal the sources of the District's capital, and the assets section shows how the capital has been used. The net position section reveals the life to date results of operations. Current assets and current liabilities are shown separately from other assets and liabilities to enable the reader to evaluate the adequacy of the District's working capital. Working capital is the excess of current assets over current liabilities, and current assets and current liabilities are those which liquidate within one year.

Statement of Revenues, Expenses, and Changes in Net Position

The statement of revenues, expenses and changes in net position provides information regarding the District's financial performance during the year. The difference between revenues and expenses is the change in net position for the period. The total net position in the balance sheet represents the life to date accumulation of changes in net position.

Revenues earned, and expenses incurred during the year are presented in three categories: operating, nonoperating, and capital contributions. This allows the reader to evaluate the financial results of operating activities separately from other sources of income and expense.

The statement ends by showing how net income for the year, including capital contributions, accounts for the change in net position that occurred during the year.

Statement of Cash Flows

Because revenues and expenses are not identical to cash flows, generally accepted accounting principles require we provide the statement of cash flows. The statement of cash flows reports sources and uses of cash in four categories: operating activities, noncapital financing activities, capital financing activities, and investing activities. The statement also presents a reconciliation of the differences between net income from operations and net cash flows from operations.

Financial Highlights

Condensed Statements of Net Position
For the Years Ended June 30

	2019	2018	Dollar Change	Percentage Change
Current assets	$ 17,947,629	$ 13,523,816	$ 4,423,813	33%
Restricted and other noncurrent assets	9,962,596	10,410,819	(448,223)	-4%
Capital assets	70,830,399	68,385,835	2,444,564	4%
Deferred outflows of resources	4,864,165	5,656,275	(792,110)	-14%
Total assets and deferred outflows of resources	$ 103,604,789	$ 97,976,745	$ 5,628,044	6%
Current liabilities	$ 2,867,906	$ 1,812,853	$ 1,055,053	58%
Noncurrent liabilities	26,217,525	27,552,409	(1,334,884)	-5%
Deferred inflows of resources	1,026,994	609,409	417,585	69%
Net position	73,492,364	68,002,074	5,490,290	8%
Total liabilities, deferred inflows of resources, and net position	$ 103,604,789	$ 97,976,745	$ 5,628,044	6%

These condensed statements of net position exclude interfund advances.

2019 and 2018 Balance Sheets Compared

Current assets increased by $4 million during 2019. Within current assets, cash and investments unrestricted, accounts receivable, property taxes receivable, miscellaneous receivable, interest receivable, and inventory and all increased from 2018, while intergovernmental receivable, deposits, and prepaid expenses each decreased. Restricted and other noncurrent assets decreased by $448 thousand from 2018.

The District invested $5.6 million in infrastructure improvements which were offset by depreciation expense of $3.1 million and asset disposals of $87 thousand, for a net increase in the capital assets of $2.4 million.

Total current liabilities increased by $1 million. Accounts payable, payroll payable, deposits, current portion of compensated absences, and current portion of long-term debt all increased over 2018, while accrued interest payable decreased.

Long-term liabilities decreased by $1.3 million. The noncurrent portion of long-term debt, noncurrent portion of compensated absences, net pension liability, and net OPEB liability decreased from 2018. Net position increased by $5.5 million. Deferred outflows and inflows of pension and OPEB resources decreased by $792 thousand and increased by $418 thousand respectively.

Condensed Statements of Revenues
For the Years Ended June 30

	2019	2018	Dollar Change	Percentage Change
Operating revenues				
Service charges	$ 20,453,236	$ 18,561,921	$ 1,891,315	10%
Other	-	470,987	(470,987)	-100%
Total operating revenues	20,453,236	19,032,908	1,420,328	7%
Nonoperating revenues				
Property taxes	1,073,072	1,007,603	65,469	6%
Intergovernmental revenue	371,469	1,512,737	(1,141,268)	-75%
Debt service recovery charges	259,991	287,580	(27,589)	-10%
Investment income	563,630	268,538	295,092	110%
Other income	72,077	77,562	(5,485)	-7%
Gain (loss) on disposal of property	(30,081)	(244,240)	214,159	-88%
Total nonoperating revenues	2,310,158	2,909,780	(599,622)	-21%
Capital contributions	1,880,808	1,507,266	373,542	25%
Total revenues	$ 24,644,202	$ 23,449,954	$ 1,194,248	5%

2019 and 2018 Revenues Compared

The comparative statement of revenues shows changes from 2019 to 2018 in the District's revenues, classified into operating, nonoperating, and capital categories. Total revenues increased $1.2 million. Total operating revenues increased $1.4 million mainly due to scheduled annual rate increase. Nonoperating revenues decreased $600 thousand due to intergovernmental revenue related to tree mortality. Capital contributions increased by $374 thousand as a result of reimbursements from the County on the Law and Justice sewer project.

2019 and 2018 Operating Expenses Compared

Condensed Statements of Operating Expenses
For the Years Ended June 30

	2019	2018	Dollar Change	Percentage Change
Personnel	$ 11,193,594	$ 10,141,845	$ 1,051,749	10%
Chemicals & supplies	1,143,416	1,292,658	(149,242)	-12%
Services	1,133,236	763,069	370,167	49%
Repairs	635,619	620,336	15,283	2%
Utilities	454,152	495,183	(41,031)	-8%
General & administrative	1,356,056	3,125,796	(1,769,740)	-57%
Depreciation	3,118,445	3,036,669	81,776	3%
Total operating expenses	$ 19,034,518	$ 19,475,556	$ (441,038)	-2%

2019 and 2018 Nonoperating Expense Compared

Nonoperating expense consists of interest expense which was $119 thousand and $175 thousand for 2019 and 2018, respectively, a decrease of approximately $56 thousand.

Condensed Statements of Net Position
For the Years Ended June 30

	2019	2018	Dollar Change	Percentage Change
Operating revenues	$ 20,453,236	$ 19,032,908	$ 1,420,328	7%
Nonoperating revenues	2,310,158	2,909,780	(599,622)	-21%
Total revenues	22,763,394	21,942,688	820,706	4%
Operating expenses	19,034,518	19,475,556	(441,038)	-2%
Nonoperating expenses	119,394	175,671	(56,277)	-32%
Total expenses	19,153,912	19,651,227	(497,315)	-3%
Net income (loss) before capital contributions	3,609,482	2,291,461	1,318,021	58%
Capital contributions	1,880,808	1,507,266	373,542	25%
Change in net position	5,490,290	3,798,727	1,691,563	45%
Beginning net position	68,002,074	69,267,200	(1,265,126)	-2%
Restatement	-	(5,063,853)	5,063,853	-100%
Beginning net position as restated	68,002,074	64,203,347	3,798,727	6%
Ending net position	$ 73,492,364	$ 68,002,074	$ 5,490,290	8%

Capital Assets and Debt Administration

Capital assets include the District's water and wastewater system infrastructure of treatment plants, ditches, wells, pipelines, pumps, other buildings, and equipment.

2019 and 2018 Capital Assets Compared

Net capital assets totaled $71 million at June 30, 2019 and increased $2.4 million from the previous year due to additions of approximately $3.5 million, net of depreciation of $3 million. See Note 3 to the basic financial statements.

2019 and 2018 LongTerm Debt Compared

At June 30, 2019 there was $3.5 million of long term debt outstanding which decreased by approximately $490 thousand from 2018 due to maturities of existing debt. See Note 4 to the basic financial statements.

Infrastructure Improvements 2019

JAMESTOWN RESERVOIR IMPROVEMENTS – Funded by a Community Development Block Grant to construct a new 1 million gallon tank and to install 1,500 linear feet of 18-inch pipeline to replace a 14-inch asbestos cement pipe that is approximately 60 years old and serves as the sole source of water to the Jamestown service area.

SONORA DISTRIBUTION IMPROVEMENTS-BOURBON STREET –This project involved replacing aging water infrastructure within the City of Sonora, primarily replacement of 1,400 linear feet of old 8" cast iron pipe in Bourbon Street.

CURED-IN-PLACE PIPE SEWER REHABILITATION – This project involved rehabilitating 7,321 feet of sewer main using cured-in-place pipe. This method has proven to be a cost-effective alternative to traditional dig and replace methods. Each year, District staff identifies segments of pipe that would be good candidates for cured-in-place pipe and bids are solicited from contractors who specialize in this type of work.

VOLPONI TANK CONSOLIDATION – The project abandoned the Volponi tank and pump station through the installation of a pressure reducing station and small pipe segment

Infrastructure Improvements Currently Under Construction 2019

PHOENIX LAKE PRESERVATION AND RESTORATION – The project involves dredging Phoenix Lake to restore up to 300 acre-feet of storage capacity, while improving water quality. The project has several phases with roughly 85% of the total cost being funded by grants from Proposition 84.

CUESTA HEIGHTS PROJECT – The first two phases of a 4-year project to design, construct and consolidate three water tanks into one 600,000 gallon treated water storage tank. The Gopher, 420K, and Saratoga tanks are in disrepair and need to be replaced. The project will also construct two new pump stations and allow for the abandonment of the 420K, Racetrack, and Shaws Flat pump stations resulting in improved system reliability and fire flow. The District is seeking grant funding for subsequent phases.

TUOLUMNE WATER MAIN – The project represents the District's share above and beyond the $400,000 grant received to replace 1,150 linear feet of 12-inch water main pipeline and 900 linear feet of 8-inch water main pipeline within the townsite of Tuolumne. The project will replace an older asbestos cement water main that served as the only supply line to the entire water system.

SARATOGA SEWER LIFT STATION – Construct a new sewer lift station to replace the old lift station. The new lift station will have new primary and overflow sumps and new pump controls.

TANK VENTILATION IMPROVEMENTS – TUD staff have designed a forced air ventilation system that can be installed on existing tanks to reduce the concentration of chlorine vapor and also the relative humidity inside the tank. This project will install the ventilation system on 10 tanks.

JAMESTOWN TRANSMISSION MAIN REPLACEMENT – The projects will include complete service lateral replacements on Main Street and complete main/service lateral replacements in the Mother Lode West subdivision. The objective of these projects is to reduce the number of after-hour calls and financial impact that continues to burden the District while increasing system efficiency and reliability.

Other Future Considerations

The Board of Directors of Tuolumne Utilities District (TUD or District) adopted its budget for Fiscal Year 2020 on June 11, 2019. The adopted budget and the operational, programmatic and capital costs identified therein are possible through the implementation of strategic management measures to stretch each dollar expended to maximize its benefit while carrying out the mission of the organization, establish industry standard recommended reserves, continued implementation of annual adjustments to minimize the future impact of unfunded liabilities, and step-wise replacement of critical infrastructure deemed essential to provide reliable, high quality service to TUD customers. These improvements represent a coordinated approach toward strategic use of best practice cost controls and infrastructure replacement to minimize the risk of future emergency repairs and catastrophic failure of significant infrastructure. The success of these management strategies are in large part yielding the benefit of the November 2015 5-year program of incremental rate increases. The new rate structure became effective in January 2016 and is in full compliance with California statute and case law that regulates how rates are established, the rate structure itself, and how rates apply to District customers.

The ability to address the important multi-year capital improvement projects will continue to be a major strategic priority moving forward. Priorities are being placed on repairing and improving the District's sewer collection system and water distribution system infrastructure. In addition, upgrades will be required to the District's regional wastewater treatment plant and consolidation of the District's multiple water treatment plants. The goal of these projects is to ultimately reduce operational costs over the long-term, improve reliability, and enhance water quality. Implementation of major infrastructure replacement comes with significant capital costs. The District is carefully balancing infrastructure replacement with the needs and expense to the community, with the goal of meeting the District's Strategic Plan Mission Statement.

The District is five-years into an aggressive capital improvement plan (CIP) to replace critical infrastructure before it fails, which leads to higher than replacement cost due to emergency repairs. The District's adoption of a 5-year, incremental rate increase was in part to address compelling infrastructure needs in the water and sewer system. Water system-related CIP projects will total approximately \$6.2 million, with sewer-related CIP projects totaling \$2.7 million in Fiscal Year 2020. The planned projects are consistent with the District's Strategic Plan (Update in 2019) and the adopted CIP. Certain strategic CIP projects are in the beginning multi-year phases to substantially improve infrastructure and provide for greater reliability and water quality for District customers.

Provide Responsible Water and Wastewater Services for our Customers with Great Customer Service in a Socially, Financially and Environmentally Responsive Manner at a fair value.

Successful implementation of these management measures in meeting the District's Strategic Plan should result in the least long-term average cost to the customer. The District leverages ratepayer money by competing and securing state and federal grant funding to help minimize the cost to the ratepayer for infrastructure replacement. Given the magnitude of the deferred capital replacement that existed from the creation of TUD in 1992, capital costs will continue to put pressure on existing revenues and will result in the need to increase customer rates at the conclusion of the current five-year phased increase.

While infrastructure replacement represents a significant Strategic Plan initiative, so too is water supply reliability. The State of California has suffered the effects of a sustained drought over the past five years that has set records this century and reawakened the critical need for cities, counties, and utilities across the state, including Tuolumne County, to prepare for drought. TUD has embarked on a strategic initiative to diversify its water supply, consolidate infrastructure, and increase efficiencies across its system. While much of this effort is related to capital improvements, other measures include reoperation of systems, collaboration and cooperation with local, regional, state, and federal agencies, and securing critical water rights and water storage facilities. District efforts in FY 2019 resulted in significant improvements in each of these strategic initiatives, but like major infrastructure replacement, these efforts occur over multi-years, with incremental progress being made each year to improve the reliability and quality of the water supply to meet customer needs in all year types, but especially drought.

Another impact related to drought is the lack of precipitation during winter months coupled with moderate to high temperatures resulting in diminishing tree health and mortality leading to stressed tree health. Stressed trees have provided a pathway giving rise to an explosive bark beetle infestation in Tuolumne County and the west slope of the Sierra Nevada that has severely crippled the pine tree population. To plan for this impact, the District developed a Hazard Tree Mitigation Plan that identifies five (5) separate tree mortality project areas for inspection and mitigation if necessary.

In May 2019, the District began assessing the status of dead and dying trees adjacent to District facilities including 72 miles of ditch and flume systems that convey water to District customers. Certified arborists have assessed TUD's main ditches, including the Eureka, Section 4, Soulsbyville, and Columbia and have identified approximately 3,700 trees that have been subsequently removed or are under contract to be removed due to the ongoing effects of drought, including bark beetle infestation. The District anticipates that as many as 300 more trees (an approximate total of 4,000) in proximity to District facilities may die. The projections noted here are based upon what is being observed in the field coupled with the expectations of experts assessing the Sierra Nevada generally. This portion of the discussion merely emphasizes the order of magnitude problem and associated costs the District may face. For these reasons the effects of pervasive tree mortality represent a difficult scenario for the District, but one in which the District is working on through public-private partnerships and with regional, state, federal, and tribal stakeholders.

Funding for tree removal is likely to come from various sources, including the District. Currently, California Disaster Assistance Act (CDAA) funding has been allocated by the Governor's Office of Emergency Services to the District to pay for 75% of tree removal cost with the District responsible for the remaining 25%. With the District facing an estimated 4,000 dead trees, ultimate removal cost may eclipse an estimated $4 million. Though this may occur over the course of 2 to 3 fiscal years, the costs nonetheless remain staggering.

The fiscal impact of hazard tree mitigation may approach $1-million plus over the next several years as weakened trees give way to disease, drought and beetle related mortality, much of which is funded through California Disaster Assistance Act funding. To date, the District has received approximately $180,000 in funding through Tuolumne County and is currently working with the Cal Office of Emergency Services to obtain other funding to reduce cost impacts to the District.

Requests for Information

This discussion is intended to provide management's perspective on the District's financial position and results of operations. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, 18885 Nugget Blvd., Sonora CA 95370.

Basic Financial Statements

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Tuolumne Utilities District
Statements of Net Position - Proprietary Funds
June 30, 2019

	Water	Sewer	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
CURRENT ASSETS			
Cash and investments unrestricted	$ 2,495,236	$ 9,341,942	$ 11,837,178
Accounts receivable	3,354,315	1,363,804	4,718,119
Property taxes receivable	57,638	35,183	92,821
Intergovernmental receivable	419,454	199,208	618,662
Miscellaneous receivable	9,660	21,638	31,298
Interest receivable	95,974	41,132	137,106
Prepaid expenses	153,840	65,931	219,771
Inventory	204,872	87,802	292,674
Total Current Assets	6,790,989	11,156,640	17,947,629
NONCURRENT ASSETS			
Restricted and Other Noncurrent Assets			
Cash and investments restricted	964,298	8,724,730	9,689,028
Assessments receivable	-	273,568	273,568
Total Restricted and Other Noncurrent Assets	964,298	8,998,298	9,962,596
Capital Assets			
Non-depreciable	5,343,105	2,814,150	8,157,255
Depreciable, net of accumulated depreciation	42,907,650	19,765,494	62,673,144
Total Capital Assets	48,250,755	22,579,644	70,830,399
Total Noncurrent Assets	49,215,053	31,577,942	80,792,995
TOTAL ASSETS	56,006,042	42,734,582	98,740,624
DEFERRED OUTFLOWS OF RESOURCES			
Pensions	2,607,242	1,117,390	3,724,632
OPEB	797,673	341,860	1,139,533
Total Deferred Outflows of Resources	3,404,915	1,459,250	4,864,165
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 59,410,957	$ 44,193,832	$ 103,604,789
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
CURRENT LIABILITIES			
Accounts payable	$ 950,771	$ 111,097	$ 1,061,868
Payroll payable	282,459	122,484	404,943
Deposits	330,116	62,516	392,632
Accrued interest payable	14,039	7,032	21,071
Current portion of compensated absences	415,912	178,248	594,160
Current portion of long-term debt	289,986	103,246	393,232
Total Current Liabilities	2,283,283	584,623	2,867,906
NONCURRENT LIABILITIES			
Long-term debt	2,742,429	355,977	3,098,406
Compensated absences	527,028	225,869	752,897
Net pension liability	8,756,189	3,752,652	12,508,841
Net OPEB liability	6,902,719	2,954,662	9,857,381
Total Noncurrent Liabilities	18,928,365	7,289,160	26,217,525
TOTAL LIABILITIES	21,211,648	7,873,783	29,085,431
DEFERRED INFLOWS OF RESOURCES			
Pensions	594,976	254,990	849,966
OPEB	123,920	53,108	177,028
Total Deferred Inflows of Resources	718,896	308,098	1,026,994
NET POSITION			
Net investment in capital assets	45,218,340	22,120,421	67,338,761
Restricted for capital	577,790	8,607,012	9,184,802
Restricted for debt service	386,508	117,718	504,226
Unrestricted	(8,702,225)	5,166,800	(3,535,425)
TOTAL NET POSITION	37,480,413	36,011,951	73,492,364
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 59,410,957	$ 44,193,832	$ 103,604,789

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

Tuolumne Utilities District
Statements of Revenues, Expenses, and Changes in Financial Position
For the Year Ended June 30, 2019

	Water	Sewer	Total
OPERATING REVENUES			
Service charges	$ 13,912,426	$ 6,540,810	$ 20,453,236
Total Operating Revenues	13,912,426	6,540,810	20,453,236
OPERATING EXPENSES			
Personnel	7,963,611	3,229,983	11,193,594
Chemicals & supplies	826,257	317,159	1,143,416
Services	788,939	344,297	1,133,236
Repairs	398,866	236,753	635,619
Utilities	301,078	153,074	454,152
General & administrative	960,931	395,125	1,356,056
Depreciation	2,148,145	970,300	3,118,445
Total Operating Expenses	13,387,827	5,646,691	19,034,518
Net Income From Operations	524,599	894,119	1,418,718
NONOPERATING REVENUES (EXPENSES)			
Property taxes	808,011	265,061	1,073,072
Intergovernmental revenue	371,469	-	371,469
Debt service recovery charges	259,991	-	259,991
Investment income	69,960	493,670	563,630
Other income	68,771	3,306	72,077
Gain (loss) on property and equipment	25,464	(55,545)	(30,081)
Interest expense	(92,985)	(26,409)	(119,394)
Total Nonoperating Revenues (Expenses)	1,510,681	680,083	2,190,764
Net Income Before Capital Contributions	2,035,280	1,574,202	3,609,482
CAPITAL CONTRIBUTIONS			
Capital grants	1,031,647	58,232	1,089,879
Contributed capital	-	477,556	477,556
Facilities capital charges	206,517	106,856	313,373
Total Capital Contributions	1,238,164	642,644	1,880,808
Change in Net Position	3,273,444	2,216,846	5,490,290
Net Position, Beginning of Year	34,206,969	33,795,105	68,002,074
Net Position, End of Year	$ 37,480,413	$ 36,011,951	$ 73,492,364

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

Tuolumne Utilities District
Statement of Cash Flows
For the Year Ended June 30, 2019

	Water	Sewer	Total
OPERATING ACTIVITIES			
Receipts from customers and users	$ 13,147,327	$ 5,703,541	$ 18,850,868
Payments to employees and benefit providers	(7,291,358)	(2,980,970)	(10,272,328)
Payments to suppliers for goods and services	(2,817,434)	(1,552,168)	(4,369,602)
Cash Provided by Operating Activities	3,038,535	1,170,403	4,208,938
NONCAPITAL FINANCING ACTIVITIES			
Property taxes and assessments received	800,996	316,853	1,117,849
Receipts from customers for debt recovery	259,991	-	259,991
Other income	68,771	3,306	72,077
Cash received from (paid to) other funds	(1,355,963)	1,355,963	-
Receipts from other governments	876,483	-	876,483
Cash Provided by Noncapital Financing Activities	650,278	1,676,122	2,326,400
CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(3,859,477)	(1,765,765)	(5,625,242)
Proceeds from disposal of capital assets	25,992	31,302	57,294
Principal paid on long term debt	(340,341)	(149,434)	(489,775)
Receipts from other governments - capital grants	1,306,395	(12,715)	1,293,680
Receipts from other governments - contributed capital	-	452,414	452,414
Receipts from customers and users - facility fees	206,517	106,856	313,373
Interest paid on long term debt	(95,244)	(28,538)	(123,782)
Cash (Used) by Capital and Related Financing Activities	(2,756,158)	(1,365,880)	(4,122,038)
INVESTING ACTIVITIES			
Investment interest earnings	(26,014)	533,097	507,083
Cash (Used) Provided by Investing Activities	(26,014)	533,097	507,083
Net Increase in Cash and Investments	906,641	2,013,742	2,920,383
Cash and Investments, Beginning of Year	2,552,893	16,052,930	18,605,823
Cash and Investments, End of Year	$ 3,459,534	$ 18,066,672	$ 21,526,206
RECONCILIATION OF CASH TO STATEMENT OF NET POSITION			
Cash and investments unrestricted	$ 2,495,236	$ 9,341,942	$ 11,837,178
Cash and investments restricted	964,298	8,724,730	9,689,028
Total cash and investments	$ 3,459,534	$ 18,066,672	$ 21,526,206
RECONCILATION OF NET INCOME (LOSS) FROM OPERATIONS TO CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Net Income (Loss) From Operations	$ 524,599	$ 894,119	$ 1,418,718
Depreciation	2,148,145	970,300	3,118,445
Change in deferred outflows	540,311	251,799	792,110
Change in net pension liability	(349,739)	(203,846)	(553,585)
Change in net OPEB liability	(107,081)	(49,538)	(156,619)
Change in deferred inflows	292,308	125,277	417,585
(Increase) decrease in operating assets			
Accounts receivable	(909,960)	(817,042)	(1,727,002)
Miscellaneous receivables	(1,845)	(21,331)	(23,176)
Deposits	5,320	2,280	
Prepaid expenses	(885)	(379)	(1,264)
Inventory	(5,887)	(2,523)	(8,410)
(Increase) decrease in operating liabilities			
Accounts payable & accrued expenses	460,089	(105,138)	354,951
Payroll payable	141,070	58,728	199,798
Deposits payable	146,706	1,104	147,810
Compensated absences	155,384	66,593	221,977
Net Cash Provided by Operating Activities	$ 3,038,535	$ 1,170,403	$ 4,208,938
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES			
Donated infrastructure	$ -	$ 25,142	$ 25,142

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

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Notes to the Basic Financial Statements

Notes to the Basic Financial Statements

NOTE 1 – Summary of Significant Accounting Policies

A. Reporting Entity

The Tuolumne Utilities District (District) was organized in 1992 as a result of combining the Tuolumne Regional Water District and the County Water Department under Division 12 of the California Water Code. The District is governed by an elected five member Board of Directors. This District's Board is elected at large and has the authority to develop and operate water facilities for consumption and hydroelectric power generation, and sewer facilities for collection treatment and disposal of sewage. The Board of Directors has the authority to fix rates and charges for the District's commodities and services. The District may also incur indebtedness, including issuing bonds, and is exempt from federal and state income taxes. The District has no component units.

B. Basis of Accounting

These financial statements are prepared in conformity with accounting principles generally accepted ("GAAP") in the United States of America. The Governmental Accounting Standards Board ("GASB") is the acknowledged standard setting body for accounting and financial reporting standards followed by government entities in the United States of America. The District is presented as two enterprise funds for water and sewer, respectively. A fund is an accounting entity with a self-balancing set of accounts established to record the financial position and results of operations of a specific government activity. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business where activities are financed in whole or in substantial part by fees charged in exchange for goods and service provided by the District. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place, so revenues are recognized when earned rather than when received, and expenses are recorded when incurred rather than when paid.

The District applies all applicable GASB pronouncements in its accounting and reporting. Private sector standards of accounting and financial reporting issued by the Financial Accounting Standard Board ("FASB") are followed in the District's financial statements to the extent that those standards do not conflict with or contradict GASB statements.

The District classifies as operating revenues those charges for goods and services which constitute the primary business activities of the District. Operating expenses are those required to provide the primary goods and services of the District and to earn the operating revenues. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses, which includes nonexchange transactions and ancillary activities.

C. Cash and Cash Equivalents

GAAP allows a financial statement issuer to choose the focus of the statement of cash flows as either cash or “cash and cash equivalents”. The District reports restricted and unrestricted cash, including bank deposits and the District’s investment in the State of California Local Agency Investment Fund (LAIF), as well as cash equivalents in the statement of cash flows. The District defines cash equivalents as certain highly liquid investments with an original maturity of three months or less, including only money market mutual funds.

D. Restricted Assets

The use of some assets can be restricted to certain purposes by law, by grantors of the assets, by legislative acts of the Board of Directors, or by contracts to which the District is a party. When the District has a choice to use either restricted or unrestricted funds the District’s policy is normally to use restricted funds first.

E. Receivables

Trade and property tax receivables are not shown net of an allowance for uncollectible amounts because the amounts estimated by management to be uncollectible are immaterial. The funds include a year-end accrual for services through the end of the fiscal year which have not yet been billed. Property taxes are levied as of January 1 on property values assessed as of the same date. State statutes provide that the property tax rate is limited generally to one percent of assessed value, and can be levied by only the county, and shared by applicable jurisdictions within the county. The County of Tuolumne collects the taxes and distributes them to taxing jurisdictions on the basis of assessed valuations subject to voter approved debt. Property taxes are due to the county on November 1 and February 1, and become delinquent after December 10 and April 10. The District recognizes property tax revenues in the year for which they are levied. Intergovernmental receivables include receivables due from other governments for State pass-through grants and other reimbursements.

Assessments receivable represents amounts due from property owners as a result of the special assessment district formed August 28, 1983 to provide funding for the design and construction of four wastewater collection facilities. The Tuolumne County Treasurer forwards capital contributions from the special assessment district to Tuolumne Utilities District as the proceeds are received.

F. Inventory

Inventories are valued at cost based upon physical determinations made at the end of each year. Inventories are assumed to be consumed on the “last in, first out” basis.

G. Prepaid expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in the financial statements.

H. Capital Assets

Property, plant, equipment and infrastructure are reported at historical cost. If the individual cost is less than $5,000 or the estimated useful life is less than three years, then the cost is reported as an expense rather than as a capital asset. Donated property and assets constructed by developers are recorded at acquisition value at the date of donation. Depreciation is provided using the straight-line method for assets other than land. Estimated useful lives as are follows:

Assets	Years
Utility systems and buildings	10-50
Transportation and other equipment	5-20
Office furniture and equipment	5-15

I. Compensated Absences

The total amount of liability for compensated absences is reflected in the basic financial statements. It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is liability for a portion of unpaid accumulated sick leave since the District does have a collective bargaining agreement with or on behalf of its employees which provides payments up to 100 percent of the accumulated and unused portion of sick leave amounts when employees separate from service with the District either at retirement or other termination of employment.

J. Use of Estimates

The preparation of financial statements in conformity with the accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

K. Deferred Outflows and Inflows of Resources

Deferred outflows of resources represent a consumption of net position by the government that is applicable to a future reporting period. *Deferred inflows of resources* represent an acquisition of net position that is applicable to a future reporting period. These amounts will not be recognized as an outflow of resources (expense) or an inflow of resources (revenue) until the earnings process is complete. Deferred outflows and inflows of resources include amounts deferred related to the District's pension plans under GASB 68 as described in Note 6 and other postemployment benefits under GASB 75 in Note 8.

L. Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' 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.

M. Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the District's Retiree Health Benefits Plan ("OPEB Plan") and additions to/deductions from the OPEB Plan been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. The following timeframes are used:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Measurement Period	July 1, 2017 to June 30, 2018

NOTE 2 – Cash and Investments

A. Classification

The District pools all of its cash and investments except those funds required to be held by outside fiscal agents under the provisions of bond indentures. Interest income earned on pooled cash is allocated to the various funds on average cash balances. Interest income from cash and investments held with fiscal agents is credited directly to the related funds.

Cash and investments are reported in the financial statements as follows:

Statement of Net Position	
Cash and investments	$ 11,837,178
Restricted cash and investments	9,689,028
Total cash and investments	$ 21,526,206

Cash and investments as of June 30, 2019 consist of the following:

Cash on hand	$ 425
Deposits with financial institutions	439,203
Local Agency Investment Fund (LAIF)	20,858,834
Held by bond trustee:	
Deposits with financial institutions	153,531
Money Market mutual funds	74,213
Total cash and investments	$ 21,526,206

B. Investment Policy

California statutes authorize districts to invest idle, surplus or reserve funds in a variety of credit instruments as provided for in the California Government Code, Section 53600, Chapter 4 – Financial Affairs. The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by the bond trustee that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy.

As specified in Government Code Section 53600.5, when investing, reinvesting, purchasing, acquiring, exchanging, selling or managing the District's funds, the primary objectives, in priority order, of the District's investment activities and of the District's investment policy shall be (1) safety, (2) liquidity, and (3) yield. It is the policy of the District to invest public funds in a manner to obtain the highest return obtainable with the maximum security while meeting the daily cash flow demands of the District as long as investments meet the criteria established by this policy for safety and liquidity and conform to all laws governing the investment of District funds.

The District is provided a broad spectrum of eligible investments under California Government Code Sections 53600–53609 (authorized investments), 53630–53686 (deposits and collateral), and 16429.1 (Local Agency Investment Fund). The District may choose to restrict its permitted investments to a smaller list of securities that more closely fits the District's cash flow needs and requirements for liquidity.

Investment Type	Maximum Maturity	Maximum Limit (%)*	Minimum Rating
Local Agency Bonds	5 years	50%	AA
U.S. Treasury Obligations	5 years	100%	n/a
State Obligations – CA	5 years	100%	A
State Obligations – Other	5 years	20%	AA
CA Local Agency Oblig.	5 years	50%	AA
U.S. Agency Obligations	5 years	100%	AAA
Bankers' Acceptances	180 days	40%	A
Commercial Paper	270 days	25%	A1/P1/F1
Certificates of Deposit	5 years	30%/40%	n/a
Repurchase Agreements	1 year	20%	None
Reverse Repurchase	92 days	20%	A
Medium-Term Notes	5 years	30%	A
Mutual and Money Market Mutual Funds	n/a	20%	Multiple
Joint Powers Authority	n/a	20%	Multiple
Collateralized Bank Dep.	5 years	20%	AA
County Pooled Investment	n/a	30%	None
Local Agency Invest Fund	n/a	None	n/a

*Excluding amounts held by the bond trustee that are not subject to California Government Code restrictions.

The District complied with the provisions of the California Government Code (or the District's investment policy, where more restrictive) pertaining to the types of investments held, the institutions in which deposits were made and the security requirements. The District will continue to monitor compliance with applicable statutes pertaining to public deposits and investments.

C. Investments Authorized by Debt Agreements

Investments of debt proceeds held by the bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy.

D. Interest Rate Risk and Credit Risk

Interest rate risk is the risk that increases in market interest rates will decrease the market value of an investment. Normally, the longer the remaining maturity of an investment, the greater is the sensitivity of its market value to changes in the market interest rates. Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

Investment Type	12 months or less	Total
Money market funds	$ 74,213	$ 74,213
Local Agency Investment Fund	20,858,834	$ 20,858,834
Total investments	$ 20,933,047	20,933,047
Cash in bank and on hand		593,159
Total cash and investments		$ 21,526,206

Credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligations. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating by Standard & Poor's required by the California Government Code or the District's investment policy and the actual rating as of June 30, 2019 for each investment type:

Investment Type	Minimum Rating	Ratings as of Year End AAA	Not Rated	Total
Local Agency Investment Fund	N/A	$ -	$ 20,858,834	$ 20,858,834
Held by bond trustee:				
Money market mutual fund	AAA	74,213	-	74,213
Total investments		$ 74,213	$ 20,858,834	$ 20,933,047

Concentration of Credit Risk

The District's investment policy contains no limitations on the amount that can be invested in any one issuer beyond that stipulated in California Government Code. The District has no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District investments.

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

At June 30, 2019, the carrying amounts of the District's deposits were $592,734 and the balances in financial institutions were $670,645. Of the balance in financial institutions, $403,531 was covered by federal depository insurance and $267,114 was collateralized as required by State law (Government Code Section 53630), by the pledging financial institution with assets held in a common pool for the District and other governmental agencies, but not in the name of the District.

F. California Local Agency Investment Fund

LAIF is stated at amortized cost, which approximates fair value. The LAIF is a special fund of the California State Treasury through which local governments may pool investments. The total fair value amount invested by all public agencies in LAIF is $105,814,483,092 managed by the State Treasurer. Of that amount, 1.77% is invested in structured notes and asset-back securities. No amounts were invested in derivative financial products. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. There are no restrictions or limitations on withdrawals from LAIF.

Notes to the Basic Financial Statements

NOTE 3 – Capital Assets

Changes in capital assets accounts for the year ended June 30, 2019 are summarized below:

	Balance July 1, 2018	Additions	Disposals	Transfers	Balance June 30, 2019
Capital assets, not being depreciated:					
Land	$ 5,060,955	$ -	$ (3,000)	$ 49,170	$ 5,107,125
Construction in progress	1,676,021	4,710,885	-	(3,336,776)	3,050,130
Total capital assets, not being depreciated	6,736,976	4,710,885	(3,000)	(3,287,606)	8,157,255
Capital assets, being depreciated					
Water utility system - infrastructure	70,510,828		(65,561)	2,147,205	72,592,472
Sewer utility system - infrastructure	40,150,264	29,258	-	1,026,723	41,206,245
Buildings - administration	3,802,931	-	-	113,678	3,916,609
Equipment and machinery	7,449,882	910,241	(669,674)	-	7,690,449
Total capital assets, being depreciated	121,913,905	939,499	(735,235)	3,287,606	125,405,775
Accumulated depreciation					
Water utility system - infrastructure	(31,094,158)	(1,828,227)	62,722		(32,859,663)
Sewer utility system - infrastructure	(22,243,159)	(855,941)	43,168	-	(23,055,932)
Buildings - administration	(1,722,745)	(93,521)	-	-	(1,816,266)
Equipment and machinery	(5,204,984)	(340,756)	544,970	-	(5,000,770)
Total accumulated depreciation	(60,265,046)	(3,118,445)	650,860	-	(62,732,631)
Capital assets, being depreciated, net	61,648,859	(2,178,946)	(84,375)	3,287,606	62,673,144
Total capital assets, net	$ 68,385,835	$ 2,531,939	$ (87,375)	$ -	$ 70,830,399

NOTE 4 – Long-Term Debt

The District generally incurs long-term debt to finance projects or purchase assets which will have useful lives equal to or greater than the related debt. The District’s debt issues and transactions are summarized on the following page. All of the District’s debt are direct borrowings.

A. Required disclosure of long-term debt activity

	Balance July 1, 2018	Additions	Retirements	Balance June 30, 2019	Current Portion
Special Assessment Bonds					
1984 Clean Water Assessment District	$ 185,097	$ -	$ (51,000)	$ 134,097	$ -
Certificates of Participation					
1991 COP	651,000	-	(34,000)	617,000	37,000
Loans Payable					
2007 LaSalle	423,561	-	(98,434)	325,127	103,246
2005 LaSalle	230,476	-	(112,466)	118,010	118,010
2005 SDWSRF	15,929	-	(2,450)	13,479	1,224
1996 SDWR	14,611	-	(5,695)	8,916	5,893
1991 SDWR	23,346	-	(7,523)	15,823	7,779
1987 SDWR	1,487	-	(1,487)	-	
2008 SDWSRF	351,017	-	(16,716)	334,301	8,358
2011 SDWSRF	853,233	-	(50,168)	803,065	25,519
2012 SDWSRF -	1,039,837	-	(50,607)	989,230	25,742
2017 Wells Fargo	191,819	-	(59,229)	132,590	60,461
Total Long-Term Debt	$ 3,981,413	$ -	$ (489,775)	$ 3,491,638	$ 393,232

B. Description of individual long-term debt issues outstanding

1984 Clean Water Assessment Bonds

A special assessment district was formed August 28, 1983 to provide funding for the design and construction of four wastewater collection facilities in the communities of Willow Springs, Mono Vista, Crystal Falls Unit #1, and Ranchos Poquitos that experienced chronic failures of on-site septic systems. The Tuolumne County Treasury forwards capital contributions from special assessment districts to the District as the proceeds are received. A loan agreement with the United States Department of Agriculture, Rural Development was also obtained in August 1983, payable in installments of interest semi-annually and principal annually through July 2, 2022, including interest at 5%. The original amount of the debt was $1,230,000.

1991 Certificates of Participation (COP)

On March 1, 1991 the District issued $1,100,000 of 1991 net revenue Certificates of Participation. The issue was used to provide funds to design and construct a new water treatment plant (Columbia Water Project) with a capacity of 1 million gallons per day and one storage tank with a capacity of 150,000 gallons. These Certificates are held by the United States Department of Agriculture, Rural Development, and mature through March 1, 2031. The Certificates are not subject to prepayment and interest is paid semi-annually on February 15 and August 15 and principal is paid annually on February 15 and have a stated interest rate of 6%. The Certificates require that a reserve be maintained in an amount equal to 100% of the maximum annual debt service. An invested deposit in the amount of $74,035 is held on behalf of the District by the Trustee.

Should the District fail to make the required payments or meet the covenants in the Installment Sale or Trust Agreement, all remaining principal and interest will become due and payable immediately.

2007 LaSalle Loan

On January 18, 2007, the District entered into an Installment Sale Agreement with LaSalle Bank National Association for the purchase of land. The agreement is secured by a first lien against all water revenues, “at Parity” with the 1996 Installment Sale Agreement. The District covenants that it shall prescribe, revise and collect such charges for the services and facilities of the wastewater system which shall produce wastewater revenues sufficient in each fiscal year to provide net wastewater revenues equal to at least 1.25 times debt service coming due and payable during such fiscal year. The loan is paid semi-annually in installments of $58,859 which includes interest at 4.83% for a period of 15 years, maturing on January 18, 2022.

Should the District fail to make the required payments or meet the covenants in the Installment Sale Agreement, all remaining principal and interest will become due and payable immediately.

2005 LaSalle Loan

On March 23, 2005, the District entered into an Installment Sale Agreement with LaSalle Bank National Association for the design and construction of two water storage tanks in the Crystal Falls (1.5 MG) and Sonora (1 MG) water systems. The agreement is secured by a first lien against all water revenues, “at Parity” with the 1991 COP’s and the 1994 and 1996 Installment Sale Agreements. The District covenants that it shall prescribe, revise and collect such charges for the services and facilities of the water system which shall produce water revenues sufficient in each fiscal year to provide net water revenues equal to at least 1.25 times debt service coming due and payable during such fiscal year. The loan is paid semi-annually in installments of $61,080 which includes interest at 4.75% for a period of 15 years, maturing on March 23, 2020.

Should the District fail to make the required payments or meet the covenants in the Installment Sale Agreement, all remaining principal and interest will become due and payable immediately.

2005 SDWSRF Loan

In 2005, the District entered into a Revolving Fund Agreement with the California State Department of Water Resources, State Revolving Fund for the design and construction of a treated water distribution system including remote read meters to approximately 50 rural residences along an untreated raw water conveyance. The Agreement pledged water fund revenues. The zero-interest rate loan is paid semi-annually in principal installments of $1,225 for a period of 20 years, maturing on January 1, 2025.

1996 SDWR Loan

In 1996, the District entered into a Loan Agreement with the California State Department of Water Resources for the design and construction of a treated water distribution system. The Agreement is secured by real and personal property. The loan is paid semi-annually in installments of $3,076 which includes interest at 3.46%, maturing on October 1, 2020.

1991 SDWR Loan

In 1991, the District entered into a Loan Agreement with the California State Department of Water Resources for the design and construction of water distribution improvements to the Columbia water system. The Agreement is secured by real and personal property. The loan is paid semi-annually in installments of $4,123 which includes interest at 3.37%, maturing on April 21, 2021.

1987 SDWR Loan

In 1987, the District entered into a Loan Agreement with the California State Department of Water Resources for the design and construction of an interconnecting pipeline. The Agreement is secured by real and personal property. The loan is paid semi-annually in installments of $1,519 which includes interest at 4.14%, final payment was made on October 1, 2018.

2008 SDWSRF Loan

In 2008, the District entered into a Revolving Fund Agreement with the California State Department of Water Resources, State Revolving Fund for the design and construction of a water treatment plant. The Agreement includes a covenant to establish rates and changes in amounts sufficient to generate net income equal to 1.1 times that of debt service on all obligations until the loan is repaid in full. The Agreement pledged water fund revenues. The zero-interest rate loan is paid semi-annually in principal installments of $8,358 for a period of 30 years, maturing on July 1, 2039.

Should the District fail to make the required payments or meet the covenants in the agreement with the State all remaining principal and interest payments will become due and payable immediately.

2011 SDWSRF Loan

In 2011, the District entered into a Revolving Fund Agreement with the California State Department of Public Health, Safe Drinking Water State Revolving Fund for Monte Grande water improvements. The Agreement pledged water fund revenues. The loan is paid semi-annually in installments of $34,788 which includes interest at 2.3086% for a period of 20 years, maturing on January 1, 2033.

Should the District fail to make the required payments or meet the covenants in the agreement with the State all remaining principal and interest payments will become due and payable immediately.

2012 SDWSRF Loan

In 2012, the District entered into a Revolving Fund Agreement with the California State Department of Public Health, Safe Drinking Water State Revolving Fund for Crystal Falls/Willow Springs water improvements. The Agreement includes a covenant to establish rates and changes in amounts sufficient to generate net income equal to 1.2 times that of debt service on all obligations until the loan is repaid in full. The Agreement pledged water fund revenues. The loan is paid semi-annually in installments of $37,135 which includes interest at 2.3035% for a period of 20 years, maturing on July 1, 2035.

Should the District fail to make the required payments or meet the covenants in the agreement with the State all remaining principal and interest payments will become due and payable immediately.

2017 Wells Fargo Lease

In 2016, the District entered into a Lease-Purchase Agreement with Wells Fargo Equipment Finance for the purchase of a Vac-Con truck. The agreement is secured with the Equipment. The cost on the truck is $424,187. The accumulated depreciation at June 30, 2019 is $56,634. The lease is paid monthly in installments of $5,218.65 which includes interest at 2.06% for a period of 5 years, maturing on October 12, 2021.

Should the District fail to make the required payments or meet the covenants in the Agreement, all remaining principal and interest payments will become due and payable immediately. The Bank could also repossess the truck and sell or lease it.

A. Debt service requirements to maturity

The annual requirements to amortize principal and interest on the above long-term debt at June 30, 2019 are as follows:

Years ending June 30,	Principal	Interest	Total
2020	$ 393,232	$ 107,316	$ 500,548
2021	407,956	89,684	497,640
2022	335,472	75,731	411,203
2023	197,457	64,648	262,105
2024	176,893	58,834	235,726
2025-2029	960,754	208,843	1,169,597
2030-2034	819,054	56,476	875,530
2035-2039	192,463	1,263	193,726
2040-2042	8,357	-	8,357
	$ 3,491,638	$ 662,796	$ 4,154,434

B. Reserve Requirements, Pledged Revenues, and Rate Covenants

Debt covenants for the installment sale agreements to LaSalle Bank National Association, the loan agreements to the California State Department of Public Health, the United States Department of Agriculture, and the Certificates of Participation include reserve requirements be maintained by the District equal to the annual debt service payments. The District is in compliance with those covenants as of June 30, 2019.

As noted above in the individual debt issues outstanding, the District has pledged future water and sewer system revenues, net of specified operating expenses, to repay debt in the original amount of $5,390,661. Proceeds of these issues were used to refund certain debt issuances as described above and to fund improvements to the District's water and sewer systems. The debts are payable solely from water and sewer system revenues and are payable through July 1, 2039 and January 18, 2022, respectively. Annual principal and interest payments on the debts are expected to require approximately 6% of net revenues for water systems and 5% net revenues for sewer systems. Total principal and interest remaining to be paid on the debts was $2,993,773 at June 30, 2019.

Cash basis debt service paid during the year ended June 30, 2019 total $435,585 and $177,881 for water and sewer systems, respectively. Total water and sewer system net revenues calculated in accordance with the covenants were $4,409,321 and $2,572,712, respectively, at June 30, 2019.

NOTE 5 – Net Position

Net Position is the excess of all the District's assets outflows over all its liabilities. Net Position is divided into three categories as follows:

Net Investment in Capital Assets describes the portion of net position which is represented by the current net book value of the District's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of net position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the District cannot unilaterally alter, or is restricted by enabling legislation. These principally include facility capacity fees received for use on capital projects, fees charged for the provision of future water resources and debt service reserve funds. The debt service reserve is established under the terms of the various debt agreements to be used in the event of inadequate funds to pay debt service.

Unrestricted describes the portion of net position which is not restricted as to use. Included within the unrestricted category are *Designations*. Designations of unrestricted net position may be imposed by the Board of Directors to reflect future spending plans or concerns about the availability of future resources. Designations may be modified, amended or removed by Board action. On November 17, 2015 the Board adopted the Rate Study FYE16-FYE20 which included establishing designated reserves for the water and sewer funds. The unrestricted net position in the water fund is negative, so no amounts are available for designation in that fund. The following is a summary of designated net position balances at June 30, 2019:

	Water	Sewer	Total
Operating Reserve – includes establishing a fund of 25% (90-days of FYE 2019 anticipated costs) of operating expenses for purposes of smoothing out cash flow and having funds to address major unanticipated costs	$1,997,684	$768,882	$2,766,566
Contingency Fund – includes establishing funding in the annual budget consisting of 2% of operating expenses to address unanticipated costs during the budget year	$146,094	$61,512	$207,606
Total designated net position	$2,143,778	$830,394	$2,974,172

NOTE 6 – Pension Plans

A. General Information about the Pension Plans

Plan Descriptions – All qualified permanent and probationary employees are eligible to participate in the District's following separate cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS).

- Miscellaneous First Level Plan
- Miscellaneous Second Level Plan
- PEPRA Miscellaneous Plan

CalPERS acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and District 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, www.calpers.ca.gov.

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 5 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1959 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2019, are summarized as follows:

	Miscellaneous		
	First Level	Second Level	PEPRA
Hire date	Prior to November 16, 2012	November 16, 2012 to January 1, 2013	On or after January 1, 2013
Benefit formula	2.7% @ 55	2% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 55	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.426% to 2.418%	1.0% to 2.5%
Required employee contribution rates	8%	7%	6.25%
Required employer contribution rates	12.212%	9.41%	6.842%

In addition to the contribution rates above, the District was also required to make a payment of $991,459 toward its unfunded actuarial liability during the year ended June 30, 2019.

All plans except the PEPRA plan are closed to new members that are not already CalPERS participants.

Contributions – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the 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's 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 District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2019, the contributions recognized as part of pension expense were as follows:

	Miscellaneous			
	First Level	Second Level	PEPRA	Total
Contributions - employer	$1,446,487	$ 18,768	$123,528	$1,588,783

B. Net Pension Liability

As of June 30, 2019, the District reported a net pension liability for its proportionate share of the net pension liability of the Plans in the amount of $12,508,841.

The District's net pension liability is measured as the proportionate share of the net pension liability. The net pension liability is measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan as of June 30, 2018 and 2019 was as follows:

Proportion - June 30, 2018	0.33136%
Proportion - June 30, 2019	0.33191%
Change - (Decrease)	0.00055%

Actuarial Assumptions – The total pension liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions for all Plans:

	Miscellaneous
Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Projected Salary Increase	Varies by entry age and service
Long-term Rate of Return	7.15% (1)

(1) See long-term expected rate of return section below.

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

Long-term Expected Rate of Return – The long-term expected rate of return on pension plan investments was determined using a building-block method in which 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 (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ 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 rounded 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The long-term expected real rates of return by asset class are as follows:

Asset Class	Assumed Asset Allocation	Real Return Years 1-10[1]	Real Return Years 11+[2]
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	-	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	-	-0.92%

[1] An expected inflation of 2.00% used for this period.

[2] An expected inflation of 2.92% used for this period.

Discount Rate – The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

C. Net Pension Liability

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability for the plans as of the measurement date, calculated using the discount rate of 7.15%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.15%) or 1-percentage point higher (8.15%) than the current rate:

Discount Rate - 1% (6.15%)	
Net Pension Liability	$ 19,223,893
Current Discount Rate (7.15%)	
Net Pension Liability	$ 12,508,841
Discount Rate + 1% (8.15%)	
Net Pension Liability	$ 6,965,676

Pension Plan Fiduciary Net Position – Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

D. Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2019, the District recorded pension expense of $2,223,398 for all cost sharing Plans combined. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date	$ 1,588,783	$ -
Differences between expected and actual experience	479,942	(163,321)
Change of assumptions	1,426,045	(349,496)
Net difference between projected and actual earnings on pension plan investments	61,841	-
Adjustments due to differences in proportions	140,559	(330,017)
Difference between actual and allocated contribution	27,462	(7,132)
Total	$ 3,724,632	$ (849,966)

The $1,588,783 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 ended June 30, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized as future pension expense as follows:

Fiscal Year Ended June 30	
2020	$ 1,191,037
2021	668,855
2022	(461,499)
2023	(112,510)
2024	-
Thereafter	-
	$ 1,285,883

E. Payables to the Pensions Plans

At June 30, 2019, the District had no outstanding contributions to the pension plan.

NOTE 7 – Compensation Absences

It is the District policy to permit employees to accumulate earned but unused vacation, sick leave pay and compensatory time off (CTO) benefits. All vacation, sick pay and CTO is recorded as an expense and a liability at the time the benefit is earned.

	Balance July 1, 2018	Additions	Retirements	Balance June 30, 2019	Current Portion
Vacation	$ 426,227	$ 527,158	$ (431,567)	$ 521,818	$ 431,566
Sick leave	684,809	263,624	(142,894)	805,539	142,894
Comp time	14,044	51,829	(46,173)	19,700	19,700
	$ 1,125,080	$ 842,611	$ (620,634)	$ 1,347,057	$ 594,160

Vacation Pay

Vacation pay is accrued and credited to regular full time employees after three months of service, and are entitled to take up to one week accrued vacation with pay after 1,040 hours of actual continuous service. Hourly and salary employees are limited to a maximum vacation credit accrual of 360 hours and 440 hours, respectively. Once an employee has accrued 360 hours of vacation pay, no further accrual is allowed. Vacation credit is accumulated as follows:

Years of Service	Equivalent Days per Annum
0 – 2 years	10
3 – 9 years	15
10 – 20 years	20
Over 20 years	25

Sick Leave Pay

Regular full-time employees receive 3.692 hours of sick leave credit for each pay period worked. There is no limit on the maximum amount of sick leave hours accrued. Employees terminating District service in good standing shall be compensated for accrued sick leave as follows. The rate of compensation paid at termination is the employee's current base rate of pay for the first 240 hours and 50% for all additional hours accrued. An employee retiring from the District with five or more years of service may elect to convert accumulated sick leave hours to additional PERS retirement service at the rate of .004 year of service credit for each day of unused sick leave per Government Code Section 20862.8.

Compensatory Time Off (CTO)

An hourly employee may elect to accrue CTO in lieu of receiving overtime pay. Employees with accrued CTO credit may take up to a maximum of five days at any one time. Any unused CTO credits will be paid out by November 30 of each year.

NOTE 8 – Other Postemployment Benefits (OPEB)

Plan Description

The District has established a Retiree Health Benefits Plan ("OPEB Plan") and participates in an agent multiple-employer defined benefit retiree healthcare plan. The OPEB Plan provides eligible employees who retire directly from the District, up to 100% contribution of the monthly CalPERS health insurance premiums for retiree medical coverage dependent on hire date and years of service. At the time of retirement eligible employees must be age 50 (52 for PEPRA members) with 5 years CalPERS service or disability. Surviving spouses are also eligible for this benefit based on annuity election. When the retiree and/or spouse turn 65, benefits are reduced to include coverage provided by Medicare. The District-covered retiree health benefits are as follows:

- Employees hired before March 1, 2006 (Union) and December 1, 2005 (Non-Union), their spouse or registered domestic partner and disabled dependent(s), are eligible for an amount equal to the cost of the Other Northern California PERS Choice Non-Medicare premium up to the Employee plus one rate.
- Employees hired on or after March 1, 2006 (Union) and December 1, 2005 (Non-Union) but before May 1, 2013, their spouse or registered domestic partner and disabled dependent(s), are eligible for an amount up to the cost of the Other Northern California PERS Choice Non-Medicare premium up to the Employee plus one rate based on the following vesting schedule:

Credited Years of Service	% of Contribution
10	50%
11	55%
12	60%
13	65%
14	70%
15	75%
16	80%
17	85%
18	90%
19	95%
20 or more	100%

- Employees hired on or after May 1, 2013 are eligible for an amount up to the maximum of the minimum employer contributions per month as prescribed in Section 22892(b) (1) of the Government Code, currently $136.00 per month for 2019.

Employees Covered

As of the June 30, 2018 measurement date, the following current and former employees were covered by the benefit terms under the OPEB Plan:

Active employees	70
Inactive employees or beneficiaries currently receiving benefits	56
Inactive employees entitiled to but not yet receiving benefits	-
Total	126

Contributions

On July 28, 2009 the District passed a resolution to participate in the California Employers' Retiree Benefit Trust (CERBT) Fund, an irrevocable trust to fund OPEB. CERBT is administered by CalPERS and is managed by an appointment board not under the control of the District's Board of Directors. This Trust is not considered a component unit by the District and has been excluded from these financial statements. Separately issued financial statements for CERBT may be obtained from CalPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

The contribution requirements of the plan members and the District are established and may be amended by the Board of Directors. The District's Board of Directors adopted an annual prefunding contribution policy for a 10-year phase in to full Actuarially Determined Contribution (ADC), based on a percentage of the ADC, starting with 10% in fiscal year 2015 and increasing in 10% increments annually until 100% is achieved. The annual contribution for the fiscal year ended June 30, 2019 is based on 50% of the ADC with $325,068 in cash contributions to the trust, $676,865 in direct benefit payments to retirees, an implied subsidy of $136,000, and $1,600 in administrative expenses paid outside of the trust for a total of $1,139,533. Plan members did not make any contributions to the OPEB Plan.

Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2017 based on the following actuarial methods and assumptions:

Actuarial Assumptions:	
Contribution Policy	10-year phase-in to Full Actuarially Determined Contribution (ADC): Pay Go, plus Percentage x (ADC- Pay Go) Percentage: 10% in 14/15, increasing by 10% annually, until reaching 100% in 23/24 forward
Discount Rate	6.75% at June 30, 2017; 6.75% at June 30, 2018
Expected Long-Term Investment Rate of Return	Same as discount rate - expected District contributions projected to keep sufficient plan assets to pay all benefits from trust
General Inflation	2.75% per annum
Mortality, Reitrement Termination, and Disability	6/30/16 CalPERS valuation assumptions
Mortality Improvement [(1)]	Mortality projected fully generational with Scale MP-16
Salary Increases	Aggregate - 3.00% Merit - 6/30/16 CalPERS assumptions
Medical Trend	Non-Medicare - 7.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076 and later years Medicare - 6.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076 and later years
Healthcare participation for future retirees	100%
Cap Increases	Cap: Healthcare trend PEMHCA minimum: 4.5%

Notes:

[(1)] Retirement mortality information was derived from data collected during 1997 to 2011 CalPERS experience Study dated January 2014. The Experience Study Report may be accessed on the CalPERS website www.calpers.ca.gov under Forms and Publications.

The long-term expected rate of return on OPEB plan investments of 6.75 percent was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global Equity	57%	4.82%
Fixed Income	27%	1.47%
TIPS	5%	1.29%
Commodities	3%	0.84%
REITs	8%	3.76%
Total	100%	

Discount Rate

The discount rate used to measure the total OPEB liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that the District's contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB Plan's fiduciary net position is projected to be sufficient to make projected OPEB benefit payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the net OPEB liability of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2018:

Net OPEB Liability/(Asset)		
1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
$ 12,048,263	$ 9,857,380	$ 8,058,122

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the net OPEB liability of the District if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2018:

Net OPEB Liability/(Asset)		
1% Decrease	Current Healthcare Trend	1% Increase
$ 7,772,313	$ 9,857,380	$ 12,434,506

Changes in the OPEB Liability

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

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2017	$ 15,845,000	$ 5,831,000	$ 10,014,000
Changes Recognized for the Measurement Period			
Service Cost	379,989	-	379,989
Interest	1,066,973	-	1,066,973
Difference Between Actual and Expected Experience	-	-	-
Assumption Changes	-	-	-
Contributions - Employer	-	1,147,382	(1,147,382)
Contributions - Employee	-	-	-
Net Investment Income	-	467,057	(467,057)
Benefit Payments and Refunds	(835,975)	(835,975)	-
Administrative Expenses	-	(10,858)	10,858
Net Changes	610,987	767,606	(156,619)
Balance as of June 30, 2018	$ 16,455,987	$ 6,598,606	$ 9,857,381

OPEB Plan Fiduciary Net Position

CERBT issues a publicly available financial that may be obtained from CalPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time.

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

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

Net difference between projected and actual earnings on OPEB plan investments	5 years
All other amounts	Expected average remaining service Lifetime (EARSL) (Amount not determined in 2019, but will be in the future)

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

For the fiscal year ended June 30, 2019, the District recognized OPEB expense of $1,004,790. As of fiscal year ended June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$0	$0
Changes of assumptions	0	0
Net difference between projected and actual earnings on plan investments	0	(177,028)
Employer contributions made subsequent to the measurement date	1,139,533	0
Total	1,139,533	$ (177,028)

The $1,139,533 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2018 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2020. Other amounts reported as deferred inflows of resources related to OPEB will be recognized as expense as follows:

Fiscal Year Ended June 30	Deferred Outflows/ (Inflows) of Resources
2020	($54,757)
2021	(54,757)
2022	(53,757)
2023	(13,757)
Thereafter	0
Total	($177,028)

NOTE 9 – Risk Management

The District 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 for which the District participates in the Special District Risk Management Authority (SDRMA) Property and Liability Insurance Program for risk of loss. The program provides general liability, property, commercial auto, boiler and machinery, employment practices, employee dishonesty coverage, employment benefits liability, public official errors and omissions and public official personal liability insurance coverage.

SDRMA is composed of California public entities and is organized under a joint powers agreement pursuant to California Government Code Section 6500 et seq. The purpose of SDRMA is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group-purchased insurance and administrative services.

The District paid no material uninsured losses during the last three fiscal years and had no significant reductions in coverage during the year. Liabilities of the District are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. The District considers claims incurred and reported, as well as claims incurred but not reported, to be immaterial and has not accrued an estimate of such claims payable.

The District's maximum coverage as of June 30, 2019 consisted of $10 million for general liability, public officials and employees' errors, employment practices liability and auto liability. In addition, the District has property coverage of $1 billion and boiler and machinery coverage of $100 million.

NOTE 10 – Tuolumne Stanislaus Integrated Regional Water Management Authority

The Tuolumne Stanislaus Integrated Regional Water Management Authority (RWMA) was created on March 11, 2014, by a Joint Exercise of Powers Agreement by and between the following public agencies: Chicken Ranch Rancheria of Me-Wuk Indians, City of Angels Camp, Groveland Community Services District, Murphys Sanitary District, Tuolumne County, Tuolumne Utilities District, and Twain Harte Community Services District. Each of the parties to this Agreement share a common interest in maximizing the beneficial use of water within the Tuolumne-Stanislaus Region and find that it would be to their mutual advantage and the public's benefit to coordinate the implementation and funding of the Tuolumne-Stanislaus Integrated Regional Water Management Plan (Plan). The RWMA will be the decision-making body of the Plan going forward. The RWMA will also set the annual budget for the Plan as it will be funded solely by the members.

NOTE 11 – Commitments and Contingencies

Contract Commitments

On April 9, 2019, the District awarded a contract for the Lyons-South Fork Watershed Forest Resiliency (LSFWFR) Project, Mastication Units 1-4, in the amount of $71,053, along with a 20% contingency of $14,210 for a total project cost of $85,263. The LSFWFR Project is grant funded through the Sierra Nevada Conservancy (SNC) with TUD as the lead agency for the project. The grant funding applies to 100% of the project costs; and no TUD project expenses exist, except for employee staff time administering the project. The project is expected to be completed within the 2020 fiscal year.

On April 23, 2019, the District awarded a contract for planning and 30% design services for the Sonora Regional Wastewater Treatment Plant Improvement Project in the amount of $377,460. Staff propose to use $50,000 in the remaining Small Community Wastewater Planning Grant from the State Water Resources Control Board and to fund the balance out of reserves. This phase of the project is expected to be completed within the 2020 fiscal year.

On May 14, 2019, the District awarded a contract for the 2019 Flooring Replacement Project in the amount of $146,045. The project is expected to be completed within the 2020 fiscal year.

On May 14, 2019, the District awarded a contract for the 2019 Districtwide HMA Trench Paving Project in the amount of $111,587; along with authorization for approval of contract change orders up to $20,000. The project is expected to be completed within the 2020 fiscal year.

On June 11, 2019, the District awarded a contract for the construction of the Mono Vista Tank Replacement Project in the amount of $811,993; along with authorization for approval of contract change orders up to $38,400. The project is expected to be completed within the 2020 fiscal year.

On June 25, 2019, the District awarded a contract for the construction of the Hillcrest and Palemone Sewer Realignment Project in the amount of $95,136; along with authorization for approval of contract change orders up to $4,760. The project is expected to be completed within the 2020 fiscal year.

On July 23, 2019, the District awarded a contract for the O'Neil Tunnel Improvements Project in the amount of $236,315; along with authorization for approval of contract change orders up to $11,816. The project is expected to be completed within the 2020 fiscal year.

On July 23, 2019, the District awarded a contract for the construction of the Lakewood Dam Repair Project in the amount of $597,976; along with authorization for approval of contract change orders up to $29,899. All project costs are anticipated to be funded through CalOES/FEMA. The project is expected to be completed within the 2020 fiscal year.

Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

NOTE 12 – New Accounting Standards

In January 2017, the GASB issued Statement No. 84, Fiduciary Activities. This Statement establishes criteria for identifying and disclosing fiduciary activities of state and local governments. The focus of the criteria is on whether a government is controlling the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements of the government. Four fiduciary funds should be reported under this statement: Pension and other employee benefit trust funds, investment trust funds, private-purpose trust funds, and custodial funds. This Statement is effective for periods beginning after December 15, 2018

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. This Statement required the District to disclose terms specified in debt agreements related to significant events of default with finance-related consequences and significant subjective acceleration clauses. The requirements of this Statement were implemented for the year ended June 30, 2019.

In June 2017, the GASB issued Statement No. 87, *Leases*. This Statement increases the usefulness of government's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lease is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition should be accounted for under the leases guidance unless specifically excluded in this Statement. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This Statement enhances disclosures about capital assets and the cost of borrowing for a reporting period and simplifies the accounting for interest cost incurred before the end of a construction period. Interest cost incurred before the end of a construction period will be recognized as an expense in the period the interest cost is incurred. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset. The requirements of this Statement are effective for the reporting periods beginning after December 15, 2018.

The District will analyze the impact of these new Statements prior to the effective dates listed above.

Required Supplementary Information

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Tuolumne Utilities District
Required Supplementary Information
For the Year Ended June 30, 2019

Schedule of the Proportionate Share of the Net Pension Liability

Last 10 Years [1]

	2019	2018	2017	2016	2015
Proportion of the net pension liability	0.33191%	0.33136%	0.33270%	0.34498%	0.31728%
Proportionate share of the net pension liability	$12,508,841	$13,062,426	$11,557,713	$ 9,464,307	$7,841,471
Covered-employee payroll - measurement period	$ 5,392,242	$ 5,434,973	$ 5,135,879	$ 4,820,795	$4,610,405
Proportionate share of the net pension liability as percentage of covered-employee payroll	231.98%	240.34%	225.04%	196.32%	170.08%
Plan fiduciary net position as a percentage of the total pension liability	74.80%	72.43%	74.06%	78.40%	79.82%

Notes to Schedule:

(1) Omitted Years: GASB 68 was implemented during 2014. No information was available prior to this date.

(2) Change in Benefit Terms: The figures above do not include any liability that may have resulted from plan changes which occurred after the June 30, 2017 valuation date as no plan changes have occurred.

(3) Changes in Assumptions: In 2017, the accounting discount rate reduced from 7.65% to 7.15%

Tuolumne Utilities District
Required Supplementary Information
For the Year Ended June 30, 2019

Schedule of Contributions to the Pension Plan

Last 10 Years [1]

	2019	2018	2017	2016	2015
Actuarially determined contributions	$ 1,588,783	$ 1,404,740	$ 1,323,718	$ 1,217,505	$ 1,177,724
Contributions in relation to the actuarially determined contributions	$ (1,588,783)	$ (1,404,740)	$ (1,323,718)	$ (1,217,505)	$ (1,177,724)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll - fiscal year	$ 5,801,469	$ 5,392,242	$ 5,434,973	$ 5,135,879	$ 4,820,795
Contributions as a percentage of covered-employee payroll	27.39%	26.05%	24.36%	23.71%	24.43%
Methods and assumptions used to determine contribution rates:					
Valuation date	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012
Actuarial cost method	Entry age normal cost method				
Amortization method	Level percent of pay				
Asset valuation method	Market value				
Discount rate	7.375% [2]	7.5% [2]	7.5% [2]	7.5% [2]	7.5% [2]
Projected salary increases	Varies by entry age and service				
Inflation	2.75%	2.75%	2.75%	2.75%	2.75%
Payroll growth	3.00%	3.00%	3.00%	3.00%	3.00%
Retirement age and mortailty	(5)	(4)	(3)	(3)	(3)

Notes to Schedule:

(1) Omitted Years: GASB 68 was implemented during 2014. No information was available prior to this date.
(2) Net of pension plan investment expenses, includes inflation.
(3) Probabilities of retirement and mortality are based on CalPERS' 2010 Experience Study for the period from 1997 to 2007.
(4) Probabilities of retirement and mortality are based on CalPERS' 2014 Experience Study for the period from 1997 to 2011.
(5) Probabilities of retirement and mortality are based on CalPERS' 2017 Experience Study for the period from 1997 to 2011.

Required Supplementary Information

Schedule of Changes in Net OPEB Liabiliy/(Assets) and Related Ratios

For the Fiscal Year Ended June 30, 2019

Measurement Period	2017/2018	2016/2017
Total OPEB Liability		
Service Cost	$ 379,989	$ 369,000
Interest	1,066,973	1,027,000
Difference Between Actual and Expected Experience	-	-
Assumption Changes	-	-
Benefit Payments Including Refunds	(835,975)	(780,000)
Changes of Benefit Terms	-	-
Net Changes	**610,987**	**616,000**
Total OPEB Liability (beginning of year)	**15,845,000**	**15,229,000**
Total OPEB Liability (end of year)	**$ 16,455,987**	**$ 15,845,000**
Plan Fiduciary Net Position		
Contributions - Employer	$ 1,147,382	$ 1,013,000
Contributions - Employee	-	-
Net Investment Income	467,057	553,000
Benefit Payments and Refunds	(835,975)	(780,000)
Administrative Expenses	(10,857)	(3,000)
Other Changes	-	-
Net Changes	**767,607**	**783,000**
Plan Fiduciary Net Position (beginning of year)	**5,831,000**	**5,048,000**
Plan Fiduciary Net Position (end of year)	**$ 6,598,607**	**$ 5,831,000**
Net OPEB Liability/(Asset)	$ 9,857,380	$ 10,014,000
Fiduciary Net Position as a percentage of the Total OPEB Liability	40.10%	36.80%
Covered Employee Payroll - fiscal year end	$ 5,860,003	$ 5,883,257
Net OPEB Liability as a percentage of Covered Employee Payroll	168.21%	170.21%

Notes to Schedule:

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

Required Supplementary Information

Schedule of Employer Contributions to the OPEB Plan
For the Fiscal Year Ended June 30, 2019

	2018/2019	2017/2018
Actuarially Determined Contribution (ADC)	$ 1,327,000	$ 1,463,000
Contributions in Relation to the ADC	1,139,533	1,147,382
Contribution Deficiency/(Excess)	$ 187,467	$ 315,618
Covered Employee Payroll - measurement period	$ 5,996,680	$ 5,860,003
Contributions as a percentage of Covered Employee Payroll	19.00%	19.58%

Notes to Schedule:

*Actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2019 were from the June, 30 2017 actuarial valuation.

Methods and Assumptions to Determine Contributions:

Actuarial Cost Method	Entry Age Normal, level percentage of payroll	
Amortization Method	Level percentage of payroll	
Remaining Amortization Period	14 years	15 years
Asset Valuation Method	Investment gains and losses spread over 5-year rolling period	
Discount Rate	6.75%	7.25%
General Inflation	2.75%	3.00%
Medical Trend	4.00% to 7.00%	5.00% to 7.20%
Mortality	CalPERS 1997-2011 Experience Study	
Mortality Improvement	Postretirement mortality projected fully generational with Scale MP-2016	

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

Compliance Reports

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

To the Board of Directors
Tuolumne Utilities District
Sonora, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Tuolumne Utilities District (the District) as of and for the year ended June 30, 2019, and the related notes of the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 3, 2020.

Internal Control Over Financial Reporting

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

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

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

To the Board of Directors
Tuolumne Utilities District

Compliance and Other Matters

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

Purpose of this Report

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

Richardson & Company, LLP

January 3, 2020

RICHARDSON & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

To the Board of Directors
Tuolumne Utilities District
Sonora, California

Report on Compliance for Each Major Federal Program

We have audited Tuolumne Utilities District's (the District) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2019. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Major Federal Program

In our opinion, the District compliance, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit for compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated June 30, 2020, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Richardson & Company, LLP

January 3, 2020

TUOLUMNE UTILITIES DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2019

Federal Grantor / Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor Number	Program Expenditures
MAJOR PROGRAMS			
U.S. Department of Housing and Urban Development:			
Passed through California Department of Housing and Community Development and Tuolumne County:			
Community Development Block Grants	14.219	16-CDBG-11154	$ 849,242
TOTAL MAJOR PROGRAMS			849,242
NON-MAJOR PROGRAMS			
U.S Department of Homeland Security, Federal Emergency Management Agency (FEMA):			
Passed through California Governor's Office of Emergency Services			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4308-DR-CA	34,546
U.S. Department of Agriculture, Forest Service		CalOES ID: 109-91007	
Stanislaus National Forest:			
Schools and Roads - Grants to States	10.665	17-DG-11051600-019	16,562
TOTAL NON-MAJOR FEDERAL AWARDS			51,108
Total Expenditures of Federal Awards			$ 900,350

TUOLUMNE UTILITIES DISTRICT
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

NOTE A – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of the Tuolumne Utilities District (the District) under programs of the federal government for year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the District's operations, it is not intended to be and does not present the financial position, changes in financial position, or cash flows of the District.

NOTE B – Summary of Significant Accounting Policies

Expenses reported on the Schedule are reported on the accrual basis. Such expenses are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenses are not allowable or are limited as to reimbursement.

NOTE C – Program Costs/Matching Contributions

The amounts shown as current year expenses represent only the federal grant portion of the program costs. Entire program costs, including the District's portion, may be more than shown.

NOTE D – Indirect Cost Allocation Plan

The District did not charge indirect costs to federal programs during the year ended June 30, 2019.

NOTE E – Clusters of Programs

There were no clusters of the District's federal programs during the year ended June 30, 2019.

NOTE F – Subrecipients

There were no subrecipients of the District's federal programs during the year ended June 30, 2019.

NOTE G – Loan Program

The District had no federal loan programs at June 30, 2019.

TUOLUMNE UTILITIES DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2019

A. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

1. Type of auditor's report issued:	Unmodified
2. Internal control over financial reporting:	
a. Material weakness(es) identified?	No
b. Reportable condition(s) identified that are not considered to be material weaknesses?	None noted
3. Noncompliance material to financial statements noted?	No

Federal Awards

1. Internal control over major programs:	
a. Material weakness(es) identified?	No
b. Significant deficiencies identified not considered to be material weaknesses?	None noted
2. Type of auditor's report issued on compliance for major programs:	Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	No
4. Identification of major programs:	

CFDA Numbers	Name of Federal Program
14.219	Community Development Block Grants/Small Cities Program

5. Dollar threshold used to distinguish between type A and type B programs:	$750,000
6. Auditee qualified as low-risk auditee under 2 CFR Section 200.516(a)?	No

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

D. PRIOR YEAR FINDINGS

None