

TRINITY PUBLIC UTILITIES DISTRICT

Weaverville, California

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended June 30, 2019 and 2018

TRINITY PUBLIC UTILITIES DISTRICT

Weaverville, California

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Trinity Public Utilities District
Weaverville, California

Report on the Financial Statements

We have audited the accompanying financial statements of Trinity Public Utilities District, as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Trinity Public Utilities District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 Trinity Public Utilities District'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 Trinity Public Utilities District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Trinity Public Utilities District as of June 30, 2019 and 2018, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information as listed in the table of contents 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information as listed in the table of contents is presented for purposes of additional analysis 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Baker Tilly Virchow Krause, LLP

Madison, Wisconsin
December 12, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

TRINITY PUBLIC UTILITIES DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS As of and for the Years Ended June 30, 2019 and 2018 (Unaudited)

As management of the Trinity Public Utilities District, we offer readers of the District's financial statement this narrative overview and analysis of the District's financial performance during the fiscal year ending June 30, 2019. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$22.770 million (net position). This amount may be used to meet the District's ongoing obligations to citizens and creditors.
- Total assets and deferred outflows of resources increased \$0.808 million over the course of 2019. Total liabilities and deferred inflows of resources decreased \$0.868 million for a net increase to net position of \$1.676 million.
- The District's Retail sales revenues decreased \$0.051 million in 2019 primarily due to weather conditions. Other revenues increased by \$1.643 million. This increase is attributable to the inclusion of the Drought Relief Surcharge for 11 months of the fiscal year. The District also recovered \$0.667 million in disaster relief funds for the previous winter storms.
- The District's net operating expenses increased by \$2.013 million due to a combination of decreased and increased costs. Power Acquisition increased \$1.075 million, Operations & Maintenance Expenses increased \$0.799 million, Customer Accounts increased \$0.047 million, Depreciation and Amortization \$0.116 million. Administrative and General Expenses decreased \$0.024 million.
- The District's net non-operating expenses decreased by \$0.854 million due primarily to the retirement of the old meter system in the prior fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes management's discussion and analysis report, the independent auditors' report, the basic financial statements of the District and supplemental information disclosed annually to comply with continuing disclosure requirements of the 2010 and 2017 Bonds. The financial statements also include notes that explain in more detail some of the information in the financial statements.

TRINITY PUBLIC UTILITIES DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS As of and for the Years Ended June 30, 2019 and 2018 (Unaudited)

REQUIRED FINANCIAL STATEMENTS

The financial statements of the District are designed to provide readers with a broad overview of the District's finances similar to a private-sector business. They have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (GAAP). Under this basis of accounting, revenues are recognized in the period in which they are earned, and expenses are recognized in the period in which they are incurred, regardless of the timing of related cash flows. These statements offer short and long-term financial information about the District's activities.

The *Balance Sheet* includes all of the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations to the District's creditors (liabilities). It also provides a basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

The *Statement of Revenues, Expenses, and Changes in Net Position* accounts for all of the current year's revenues and expenses. This statement provides information on the District's operations over the past year and could be used to determine whether the District has recovered all of its costs through its rates and other charges.

The *Statement of Cash Flows* reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities. When used with related disclosures and information in the other financial statements, the statement of cash flows should provide insight into such questions as: Where did the cash come from, what was cash used for, and what the change in the cash balance was during the reporting period.

Notes to the Financial Statements

The notes provide additional information that is essential to fully understand the data provided in the required financial statements. The notes to the financial statements can be found on pages 14 through 39 of this report.

Supplementary information

In addition to the required financial statements and accompanying notes, this report also presents certain supplementary information, which can be found on page 43 of this report.

TRINITY PUBLIC UTILITIES DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Years Ended June 30, 2019 and 2018
(Unaudited)**

FINANCIAL ANALYSIS OF THE DISTRICT

Over time, increases or decreases in the District's net assets are one indicator of its financial health. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, changes in state and national energy policy, changes in federal management of water and other new or modified government regulation. A summary of the District's Statement of Net Position is presented in Table I below.

BALANCE SHEET

**Table 1
Condensed Balance Sheet**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Current and other assets	\$ 11,559,216	\$ 11,005,378	\$ 11,307,223
Non-current assets	38,877,177	38,427,718	38,108,950
Total Assets	50,436,393	49,433,096	49,416,173
Deferred outflows of resources	2,335,637	2,531,381	1,189,741
Total Assets and Deferred Outflows of Resources	<u>\$ 52,772,030</u>	<u>\$ 51,964,477</u>	<u>\$ 50,605,914</u>
Current liabilities	\$ 3,154,666	\$ 2,363,787	\$ 2,148,363
Non-current liabilities	26,324,145	28,270,048	27,619,400
Total Liabilities	29,478,811	30,633,835	29,767,763
Deferred inflows of resources	522,758	236,117	97,415
Total liabilities and deferred inflows of resources	<u>30,001,569</u>	<u>30,869,952</u>	<u>29,865,178</u>
Net position:			
Net investment in capital assets	13,796,085	12,131,143	12,871,164
Unrestricted net position	8,974,376	8,963,382	7,869,572
Total Net Position	<u>22,770,461</u>	<u>21,094,525</u>	<u>20,740,736</u>
Total Liabilities and Net Position	<u>\$ 52,772,030</u>	<u>\$ 51,964,477</u>	<u>\$ 50,605,914</u>

Total assets and deferred outflows of resources increased \$0.808 million over the course of 2019. Total liabilities and deferred inflows of resources decreased \$0.868 million for a net increase to net position of \$1.676 million.

TRINITY PUBLIC UTILITIES DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Years Ended June 30, 2019 and 2018
(Unaudited)**

BALANCE SHEET

Changes in assets included:

- Current assets - increased from \$11.005 million to \$11.559 million during the current fiscal year. This \$0.554 million increase was primarily due to an increase to cash and cash equivalents and other receivables. These increases were partially offset with decreases to accounts receivable, inventories and the current portions of due from other governments and notes receivable.
- Noncurrent assets - increase of \$0.449 million, due primarily to an increase ongoing capital improvements and replacements.

Changes in liabilities included:

- Current liabilities - a net increase in overall current liabilities of \$0.791 million due mainly to an increase to the current portion of long-term debt.
- Noncurrent liabilities - a decrease of \$1.946 million primarily due to decrease to long term debt, net pension liability and other post-employment benefits liability.

While the Balance Sheet shows the change in financial position of the District, the Statement of Revenues, Expenses and Changes in Net Position shows the nature and source of these changes. A summary of the District's Changes in Net Position is presented in Table II below.

**Table II
Condensed Statement of Revenues, Expenses and
Changes in Net Position**

	2019	2018	2017
Operating revenues	\$ 12,796,923	\$ 11,227,459	\$ 12,458,946
Operating expenses	10,504,721	8,491,742	9,978,060
Operating Income	2,292,202	2,735,717	2,480,886
Non-operating revenues (expenses)	(839,912)	(1,694,350)	(931,170)
Capital contributions	223,646	432,907	131,708
Changes in Net Position	1,675,936	1,474,274	1,681,424
Net position, beginning of the year, as restated	21,094,525	20,740,736	19,059,312
Cumulative effect of change in the year, as restated	-	(1,120,485)	-
Net Position, end of the year	\$ 22,770,461	\$ 21,094,525	\$ 20,740,736

TRINITY PUBLIC UTILITIES DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Years Ended June 30, 2019 and 2018
(Unaudited)**

CAPITAL ASSETS

As of June 30, 2019, the District had \$37.202 million invested in a variety of capital assets, net of accumulated depreciation, as shown in Table III below.

**Table III
Capital Assets**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Distribution system	\$ 46,889,281	\$ 44,421,681	\$ 46,302,022
Substations	6,740,630	6,641,432	6,401,337
Buildings & improvements	2,581,464	2,571,533	2,585,027
Vehicles, tools and other equipment	<u>2,580,710</u>	<u>3,204,000</u>	<u>4,978,026</u>
	58,792,085	56,838,646	60,266,412
Less accumulated depreciation	(25,955,159)	(24,842,674)	(29,887,754)
Land	1,364,088	1,364,088	1,341,129
Work in progress	<u>3,001,168</u>	<u>3,001,168</u>	<u>3,001,168</u>
Net capital assets	<u>\$ 37,202,182</u>	<u>\$ 36,361,228</u>	<u>\$ 34,720,955</u>

The District retired \$0.933 million of fully depreciated assets, retired the remainder of its old meter system (\$0.402 million) and invested \$2.795 million in capital improvements before depreciation in 2019.

BUDGETARY HIGHLIGHTS

The District adopts an annual operating budget that includes proposed expenses and the sources of revenue to finance them. The District's operating budget remains in effect the entire year and may be amended by Board action. The District's budget is prepared on a modified cash basis for cash flow and monitoring purposes and is used throughout the year to monitor the District's monthly activity on a comparative basis.

FY 18/19 Budget projected an increase to reserves of \$99,655. However, FY 18/19 ended with an increase in total reserves of \$545,806. The larger increase to reserves is primarily due to costs recovered through the Office of Emergency Services for winter storms.

TRINITY PUBLIC UTILITIES DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Years Ended June 30, 2019 and 2018
(Unaudited)**

BUDGETARY HIGHLIGHTS

Additional information on the District's budget comparison for 2019 can be found on page 43 of the financial statements, Supplemental Schedule of Revenues and Expenses - Budget and Actual.

LONG TERM DEBT

During FY 17/18, the District undertook a project to refinance the majority of its debt obligations. At the end of fiscal year 2019, the District had total long-term debt outstanding of \$21.347 million, including current maturities. \$0.555 million is comprised of 2010 Electric Revenue Bonds issued during fiscal year 2011, \$20.085 million of 2017 Series A Electric Revenue Bonds, \$0.405 million of 2017 Series B Electric Revenue Bonds and \$0.302 million note payable to the United States Department of Agriculture.

Additional information on the District's long-term debt can be found in Note 6 on pages 23 through 27 of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The economic factor with the largest potential impact to the District remains the uncertainty of power acquisition costs. The largest determinant affecting power costs continues to be tied to the amount of precipitation and could swing between \$1 million and \$3 million per year. Western Area Power Administration (Western) power charges are based on two components: 1) Power Revenue Requirements (PRR), and 2) the District's First Preference Percentage (FPP), which is based on forecasts of the District's load as a percentage of forecasted Western generation. The District pays the result of multiplying these two components. During a dry year, the District's load is not affected, but Western's generation is greatly reduced. Thus, during a dry year the PRR does not change, but the FPP increases. Consecutive dry years compound this problem.

The Federal Government's management of water is also a significant determinant affecting power costs. When water is released down the river instead of being diverted through Carr Power House, less power is generated. When less power is generated, power costs increase.

The five-year financial forecast projects a positive financial outlook for the District. However, it should be noted, that any number of events, particularly legislative or regulatory mandates, can dramatically alter the financial outlook. Nevertheless, the District is in little danger of losing its favorable comparison of rates with other California utilities. Staff expects that the total price the District's customer/owners pay for their electric service will remain among the lowest, if not be the lowest, in California for many years into the future.

BASIC FINANCIAL STATEMENTS

TRINITY PUBLIC UTILITIES DISTRICT

BALANCE SHEET As of June 30, 2019 and 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 9,535,227	\$ 8,242,570
Accounts receivable, net	1,328,454	1,438,974
Other receivables	56,678	41,220
Inventories	313,959	825,155
Prepaid expenses	174,898	266,781
Due from other governments, current portion	105,010	150,000
Interest receivable - due from other governments, current portion	44,990	-
Note receivable, current portion	-	40,678
Total Current Assets	11,559,216	11,005,378
NONCURRENT ASSETS		
Restricted cash and cash equivalents	606,171	627,049
Investment in retirement annuity	676,018	613,549
Due from other governments, long-term portion	-	100,714
Interest receivable - due from other governments	392,806	423,483
Note receivable, long-term portion	-	301,695
Preliminary survey and investigation	3,001,168	3,001,168
Capital Assets		
Land	1,364,088	1,364,088
Depreciable capital assets	58,792,085	56,838,646
Less: Accumulated depreciation	(25,955,159)	(24,842,674)
Total Noncurrent Assets	38,877,177	38,427,718
Total Assets	50,436,393	49,433,096
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized loss on refunding	996,308	1,046,753
Deferred outflows related to OPEB	46,680	45,610
Deferred outflows related to pension	1,292,649	1,439,018
Total Deferred Outflows of Resources	2,335,637	2,531,381
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 52,772,030	\$ 51,964,477

	<u>2019</u>	<u>2018</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 397,771	\$ 268,821
Wages payable	178,917	141,191
Compensated absences payable	440,960	420,903
Retirement plan payable	19,783	17,656
Customer deposits	252,519	215,041
Construction advances	165,218	121,131
Other accrued liabilities	12,093	9,009
Unearned revenue	-	100,000
Accrued interest	171,727	179,357
Current portion of revenue bonds	1,475,000	850,000
Current portion of note payable	40,678	40,678
Total Current Liabilities	<u>3,154,666</u>	<u>2,363,787</u>
NONCURRENT LIABILITIES		
Revenue debt	20,499,361	22,021,416
Note payable	261,017	301,695
Net pension liability	3,086,793	3,277,827
Retirement compensation plan	676,018	613,549
Other postemployment benefits liability	1,800,956	2,055,561
Total Noncurrent Liabilities	<u>26,324,145</u>	<u>28,270,048</u>
Total Liabilities	<u>29,478,811</u>	<u>30,633,835</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to OPEB	396,211	129,574
Deferred inflows related to pension	126,547	106,543
Total Deferred Inflows of Resources	<u>522,758</u>	<u>236,117</u>
NET POSITION		
Net investment in capital assets	13,796,085	12,131,143
Unrestricted net position	<u>8,974,376</u>	<u>8,963,382</u>
Total Net Position	<u>22,770,461</u>	<u>21,094,525</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 52,772,030</u>	<u>\$ 51,964,477</u>

See accompanying notes to financial statements.

TRINITY PUBLIC UTILITIES DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION For the Years Ended June 30, 2019 and 2018

	2019	2018
OPERATING REVENUES		
Retail sales	\$ 9,732,157	\$ 9,782,863
Fees and charges	78,361	100,765
Other revenue	2,986,405	1,343,831
Total Operating Revenues	12,796,923	11,227,459
OPERATING EXPENSES		
Power acquisition	2,594,472	1,519,784
Operations and maintenance	3,498,284	2,698,988
Customer accounts	729,709	682,429
Administrative and general	1,565,351	1,589,382
Depreciation and amortization	2,116,905	2,001,159
Total Operating Expenses	10,504,721	8,491,742
Operating Income	2,292,202	2,735,717
NONOPERATING REVENUES (EXPENSES)		
Investment income	203,817	101,771
Loss on retirement of assets	(330,542)	(766,948)
Interest expense	(713,187)	(1,029,173)
Total Nonoperating Revenues (Expenses)	(839,912)	(1,694,350)
CAPITAL CONTRIBUTIONS	223,646	432,907
Change in Net Position	1,675,936	1,474,274
NET POSITION - Beginning of Year (See Note 12)	21,094,525	20,740,736
Cumulative effect of a change in accounting principle	-	(1,120,485)
NET POSITION - END OF YEAR	\$ 22,770,461	\$ 21,094,525

See accompanying notes to financial statements.

TRINITY PUBLIC UTILITIES DISTRICT

STATEMENT OF CASH FLOWS For the Years Ended June 30, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 12,929,463	\$ 11,655,821
Cash paid to suppliers	(5,175,007)	(3,586,022)
Cash paid to employees for services	(2,543,433)	(2,297,152)
Net Cash Flows From Operating Activities	5,211,023	5,772,647
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES		
Principal and interest received on note receivable	342,373	40,678
Principal and interest paid on note payable	(40,678)	(40,678)
Payments from other governments	145,704	148,464
Net Cash Flows From Noncapital and Related Financing Activities	447,399	148,464
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of utility plant	(3,276,452)	(4,450,494)
Contributions received for construction	267,733	352,502
Payments to escrow during refunding	-	(1,891,271)
Debt issuance costs	-	(310,077)
Premium on debt issued	-	1,007,614
Repayment of long-term debt	(850,000)	(806,483)
Interest paid	(717,428)	(840,765)
Net Cash Flows From Capital and Related Financing Activities	(4,576,147)	(6,938,974)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	189,504	92,698
Net Change in Cash and Cash Equivalents	1,271,779	(925,165)
CASH AND CASH EQUIVALENTS – Beginning of Year	8,869,619	9,794,784
CASH AND CASH EQUIVALENTS – END OF YEAR	\$ 10,141,398	\$ 8,869,619
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES		
Amortization	\$ (3,390)	\$ 375
Advanced refunding	\$ -	\$ 20,835,000

	<u>2019</u>	<u>2018</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 2,292,202	\$ 2,735,717
Adjustments to reconcile operating income to net cash flows provided by operating activities		
Depreciation and amortization	2,116,905	2,001,159
Change in operating assets and liabilities		
Accounts receivable	110,520	399,862
Other receivable	(15,458)	(8,025)
Inventories	511,196	(16,814)
Prepaid expenses	91,883	164,810
Accounts payable	117,002	64,116
Accrued wages and related costs	22,184	67,458
Customer deposits	37,478	36,525
Post employment retirement benefit	(254,605)	1,118,494
Pension and Other Post Employment Benefits related deferrals and liabilities	240,906	(910,844)
Other liabilities	(59,190)	120,189
Total Adjustments	<u>2,918,821</u>	<u>3,036,930</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 5,211,023</u>	<u>\$ 5,772,647</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION		
Cash and cash equivalents	\$ 9,535,227	\$ 8,242,570
Restricted cash and cash equivalents	<u>606,171</u>	<u>627,049</u>
TOTAL CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 10,141,398</u>	<u>\$ 8,869,619</u>

See accompanying notes to financial statements.

TRINITY PUBLIC UTILITIES DISTRICT

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2019 and 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Trinity Public Utilities District (the “District”) are prepared in accordance with accounting principles generally accepted in the United States of America as applied to enterprise funds of governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The significant accounting principles and policies utilized by the District are described below.

REPORTING ENTITY

The District was established by general election in 1981 to provide electrical power to the Trinity County area. The District is managed by a Board of Directors.

The Trinity County Public Utilities District Financing Corporation (the “Corporation”) and Trinity Public Utilities District Financing Authority (the “Authority”) were formed for the sole purpose of providing financing assistance to the District for the construction and acquisition of major capital facilities. The Trinity Public Utilities District, the Corporation, and the Authority have a financial and operational relationship, which meets the reporting entity definition criteria of GASB Statement No.14, *The Financial Reporting Entity*, for inclusion of the Corporation and the Authority as a component unit of the District. Accordingly, the financing activities of the Corporation and the Authority have been included in the basic financial statements of the District. As of June 30, 2019 and 2018, the Corporation has had no activity. Activity and balances related to the Authority are included in Note 9.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The District is presented as an enterprise fund. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business or where the governing body has decided that the determination of revenues earned, costs incurred, and net income is necessary for management accountability.

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This statement establishes requirements for interest costs incurred before the end of a construction period. This standard was implemented July 1, 2018.

TRINITY PUBLIC UTILITIES DISTRICT

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2019 and 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (cont.)

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's principal ongoing operations. The principal operating revenues of the District are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Net position is classified into three components — Net investment in capital assets, restricted net position, and unrestricted net position. These classifications are defined as follows:

- > *Net Investment in Capital Assets* — This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net asset component as the unspent proceeds.
- > *Restricted Position* — This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- > *Unrestricted Net Position* — This component of net position consists of net position that do not meet the definition of "restricted" or "net investment in capital assets."

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

CASH AND CASH EQUIVALENTS

For the purpose of the statement of cash flows, the District considers all highly liquid investments with a maturity of three months or less to be cash and cash equivalents.

RESTRICTED CASH AND CASH EQUIVALENTS

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified.

TRINITY PUBLIC UTILITIES DISTRICT

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2019 and 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

ACCOUNTS RECEIVABLE

The District utilizes the allowance for doubtful accounts method with respect to its accounts receivable. The allowance was \$300,394 and \$279,694 at June 30, 2019 and 2018, respectively.

INVENTORIES

Inventories are generally used for construction, operation, and maintenance work, not for resale. The account consist of poles, transformers, wires, and other electrical utility supplies. They are valued at the lower of cost or market and utilizing the first-in, first-out (FIFO) method and charged to construction or expense when used. As of July 1, 2018, the District changed accounting policies to capitalize transformers when purchased. Therefore, any transformers held in inventory were transferred to capital assets.

PREPAID EXPENSES

This represents amounts paid for future power costs.

NOTE RECEIVABLE

The District received a \$400,000 loan from the United States Department of Agriculture (USDA) which was disbursed to a local business in exchange for a note receivable with similar repayment terms. In 2019, the local business paid the amount in full. The District will continue to make the scheduled payments to the USDA. See Note 6 for information on the loan from the USDA.

PRELIMINARY SURVEY AND INVESTIGATION

The balance represents initial project engineering costs related to utility plant construction. The balance will be capitalized upon commencement of the project.

CAPITAL ASSETS

Capital assets are generally defined by the utility as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year.

All capital assets purchased by the District are capitalized at historical cost. Maintenance and repairs are expensed as incurred. Contributed assets are valued at their estimated acquisition value on the date contributed. Capital assets in service are depreciated or amortized using the straight-line method over the following useful lives:

Electric system assets	30 years
Buildings	30 years
Meter equipment	15 years
Equipment	5 years

INVESTMENT IN RETIREMENT ANNUITY AND RETIREMENT COMPENSATION PLAN

The District's investment in the retirement annuity is for certain employees' retirement compensation plans subject to the Federal Insurance Contributions Act and is recorded at fair value.

TRINITY PUBLIC UTILITIES DISTRICT

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2019 and 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

COMPENSATED ABSENCES PAYABLE

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District. Vacation, which is based upon the employee's length of service, may be accumulated and carried over up to a maximum of 500 hours of accrued vacation leave.

Accumulated employee compensatory time benefits are recognized as liabilities of the District. In lieu of receiving overtime pay, hourly employees may elect to accrue compensatory time. Compensatory time accrues at the rate of overtime pay foregone — for example, one hour of overtime at the double time rate of pay would be exchanged for two hours of compensatory time at the regular rate of pay. An employee's compensatory time may be accumulated and carried up to a maximum of 160 hours.

Accumulated sick leave benefits are recognized as a liability for the electric superintendent whose sick leave benefits are 50% vested and office administrator whose sick leave benefits are 50% vested. All other employee sick leave benefits are not recognized as liabilities since benefits do not vest.

CONSTRUCTION ADVANCES

The balance represents fees collected for future capital improvements. The fees may be refundable based on agreements with customers.

CUSTOMER DEPOSITS

This account represents amounts deposited with the District by customers as security for payments of bills.

DEFERRED OUTFLOWS / INFLOWS OF RESOURCES

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources which represent a consumption of net position that applies to future period(s), and as such will not be recognized as an outflow of resources (expense) until that future time.

In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources which represent acquisition of net position that applies to future period(s) and as such will not be recognized as an inflow of resources (revenue) until that future time.

PENSION PLAN

All full-time District employees are members of a risk pool of the State of California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer defined benefits pension plan. For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the CalPERS and additions to/deductions from CalPERS' 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.

TRINITY PUBLIC UTILITIES DISTRICT

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2019 and 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

For purposes of measuring the total OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, the District OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

LONG-TERM OBLIGATIONS

Long-term debt and other obligations are reported as liabilities. Bond premiums are amortized over the life of the bonds using the straight-line method. Gains or losses on prior refundings are amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter. The balance at year-end for premiums is shown as an increase in the liability section of the statement of net position. The balance at year-end for the loss on refunding is shown as a deferred outflow of resources in the statement of net position.

CHARGES FOR SERVICE

Billings are rendered and recorded monthly based on metered usage. The utility does accrue revenues beyond billing dates.

Current electric rates were approved on April 12, 2018.

EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT PERIOD FINANCIAL STATEMENTS

GASB has approved GASB Statement No. 84, *Fiduciary Activities*, Statement No. 87, *Leases*, Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, Statement No. 90, *Majority Equity Interests, an amendment of GASB Statement No. 14 and No. 61*, and Statement No. 91, *Conduit Debt Obligations*. When they become effective, application of these standards may restate portions of these financial statements.

COMPARATIVE DATA

Certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year's presentation.

NOTE 2 – CASH AND INVESTMENTS

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including Negotiable Order of Withdrawal (NOW) accounts) and \$250,000 for demand deposit accounts (interest bearing and noninterest bearing). In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of \$250,000 for the combined amount of all deposit accounts.

The California Government Code sections 53600-53609 authorizes the District to invest in obligations of the United States Treasury in the form of notes, bonds, bills or instruments for which the faith and credit of the United States are pledged for payment. The District may also invest in registered treasury notes, or bonds of the State of California and commercial paper of "prime" quality as defined by California Government Codes Section 53635 and as rated by Standard and Poors Corporation or Moody's Commercial Paper Record.

TRINITY PUBLIC UTILITIES DISTRICT

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2019 and 2018

NOTE 2 – CASH AND INVESTMENTS (cont.)

The District participates in the Local Agency Investment Fund (LAIF), a voluntary program created by statute (California Government Code Section 16429). The Local Investment Advisory Board provides oversight for LAIF. Market valuation is conducted monthly and fund policies, goals, and objectives are reviewed annually. All securities are purchased under Government Code Sections 16430 and 16480A and are held by a third party custodian. The District has the right to withdraw its deposited monies from LAIF upon demand. The fair value of District's investment in the 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. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state agencies, floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations. As of June 30, 2019 and 2018, less than 5% of LAIF's investment portfolio was invested in structured notes and other asset-backed securities. Due to the portfolio's characteristics, LAIF's exposure and the District's related exposure to credit, market, and legal risk is considered minimal.

The District holds a portion of its investment funds in a Local Agency Pool Account (Pool) with Umpqua Bank. Local agency deposits in the account are collateralized with eligible securities pursuant to California Government Code Sections 53630-53686. The securities held as collateral must have a market value level of no less than 110% of the funds held in the Pool. The account funds and collateral are held by a third party custodian. The District has the right to withdraw its deposited monies from the Pool upon demand.

Pursuant to Government Code Sections 53658 and 53665, the District has an undivided security interest in the pooled securities equal to the percentage the District's funds and accrued interest is to the total of the local agency funds on deposit in the pool.

The District has adopted an investment policy. That policy follows California Government Code Sections 53600-53609. The policy defines allowable short-term and long-term investments, maximum maturities, and limits investments issued by public agencies to a maximum of 5% per issuer diversification.

CUSTODIAL CREDIT RISK

Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, the District's deposits may not be returned to the District.

As of June 30, 2019 and 2018, the District did not have any deposits exposed to custodial credit risk.

TRINITY PUBLIC UTILITIES DISTRICT

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2019 and 2018

NOTE 2 – CASH AND INVESTMENTS (cont.)

CREDIT RISK

Credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligations.

As of June 30, 2019 and 2018, the District's investments were rated as follows:

Investment Type	2019		2018	
	Standard & Poors	Moody's Investors Services	Standard & Poors	Moody's Investors Services
Dreyfus Government Cash Management Fund	AAAm	Aaa-mf	AAAm	Aaa-mf

The District also held investments in LAIF which is an external pool that is not rated.

NOTE 3 – RESTRICTED CASH AND CASH EQUIVALENTS

Restricted cash and cash equivalents are classified as follows:

	2019	2018
Reserve	\$ 573,124	\$ 579,304
Cost of Issuance	-	16,442
Section 125 Plan Fund	33,047	31,303
Total	<u>\$ 606,171</u>	<u>\$ 627,049</u>

DEBT RELATED ACCOUNTS

Certain proceeds of the District's debt, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because their use is limited. The following accounts are reported as restricted assets:

- Reserve - Used to report resources set aside to make up potential future deficiencies in the timely payment of installment payments on the related debt issues.
- Issuance - Fees associated with the issuance of bonds by an issuer to investors.

SECTION 125 PLAN FUND

The District prefunds the Plan annually based on employee elections. The District is reimbursed through biweekly payroll deductions.

TRINITY PUBLIC UTILITIES DISTRICT

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2019 and 2018

NOTE 4 – DUE FROM OTHER GOVERNMENTS

Pursuant to an agreement (Project Agreements No.1 and No. 2) with Trinity County, the District provided financial support for the direction and control of Mountain Communities Healthcare District's (MCHD) operations and committed funds for operating expenses totaling \$2,789,000. As of June 30, 2019 and 2018, the current outstanding principal balance due is \$105,010 and \$250,714, respectively. Pursuant to Project Agreement No. 2, amounts provided to MCHD accrue interest at a rate equal to the District's earnings rate on the Local Agency Investment Fund (LAIF). As of June 30, 2019 and 2018, the LAIF's rate was 2.57% and 1.9%, respectively, and accrued interest due was \$437,796 and \$423,483, respectively. This amount is shown on the balance sheet as interest receivable — due from other governments.

Pursuant to Project Agreement No. 2, beginning February 2006, the County commenced returning District reserves used to help MCHD carry out its obligations, by paying the District \$150,000 per year, by way of increased rates for its electric services. Such payments will continue until the District's reserves, including accrued interest, are restored. As of June 30, 2019 and 2018, the District has recouped a total of \$1,992,334 and \$1,846,630, respectively.

Due from other governments at June 30, 2019 and 2018, are comprised of the following:

	2019	2018
Trinity County, principal	\$ 105,010	\$ 250,714
Trinity County, interest	437,796	423,483
Total Due from Other Governments	542,806	674,197
Less: Current portion	(105,010)	(150,000)
Less: Interest receivable – due from other governments	(437,796)	(423,483)
Total Due From Other Governments, Long-Term Portion	\$ -	\$ 100,714

TRINITY PUBLIC UTILITIES DISTRICT

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2019 and 2018

NOTE 5 – CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2019 is as follows:

	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
	<u>June 30, 2018</u>			<u>June 30, 2019</u>
Capital assets not being depreciated				
Land	\$ 1,364,088	\$ -	\$ -	\$ 1,364,088
Total Capital Assets Not Being Depreciated	<u>1,364,088</u>	<u>-</u>	<u>-</u>	<u>1,364,088</u>
Capital assets being depreciated				
Utility plant	51,063,113	2,968,589	401,792	53,629,911
Buildings and improvements	2,571,533	9,931	-	2,581,464
Equipment	<u>3,204,000</u>	<u>309,882</u>	<u>933,171</u>	<u>2,580,710</u>
Total Capital Assets Being Depreciated	<u>56,838,646</u>	<u>3,288,402</u>	<u>1,334,963</u>	<u>58,792,085</u>
Less: Accumulated depreciation for				
Utility plant	(20,022,977)	(1,759,406)	(71,249)	(21,711,134)
Buildings and improvements	(2,188,740)	(85,854)	-	(2,274,593)
Equipment	<u>(2,630,957)</u>	<u>(271,645)</u>	<u>(933,171)</u>	<u>(1,969,432)</u>
Total Accumulated Depreciation	<u>(24,842,674)</u>	<u>(2,116,905)</u>	<u>(1,004,420)</u>	<u>(25,955,159)</u>
Total Capital Assets Being Depreciated, Net	<u>31,995,972</u>	<u>1,171,497</u>	<u>330,543</u>	<u>32,836,926</u>
Net Capital Assets	<u>\$ 33,360,060</u>	<u>\$ 1,171,497</u>	<u>\$ 330,543</u>	<u>\$ 34,201,014</u>

TRINITY PUBLIC UTILITIES DISTRICT

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2019 and 2018

NOTE 5 – CHANGES IN CAPITAL ASSETS (cont.)

A summary of changes in capital assets for the year ended June 30, 2018 is as follows:

	Balance June 30, 2017	Increases	Decreases	Balance June 30, 2018
Capital assets not being depreciated				
Land	\$ 1,341,129	\$ 22,959	\$ -	\$ 1,364,088
Total Capital Assets Not Being Depreciated	1,341,129	22,959	-	1,364,088
Capital assets being depreciated				
Utility plant	52,703,359	4,250,446	5,890,692	51,063,113
Buildings and improvements	2,585,027	10,260	23,754	2,571,533
Equipment	4,978,026	124,715	1,898,741	3,204,000
Total Capital Assets Being Depreciated	60,266,412	4,385,421	7,813,187	56,838,646
Less: Accumulated depreciation for				
Utility plant	(23,531,293)	(1,615,428)	(5,123,744)	(20,022,977)
Buildings and improvements	(2,126,955)	(85,539)	(23,754)	(2,188,740)
Equipment	(4,229,506)	(300,192)	(1,898,741)	(2,630,957)
Total Accumulated Depreciation	(29,887,754)	(2,001,159)	(7,046,239)	(24,842,674)
Total Capital Assets Being Depreciated, Net	30,378,658	2,384,262	766,948	31,995,972
Net Capital Assets	\$ 31,719,787	\$ 2,407,221	\$ 766,948	\$ 33,360,060

NOTE 6 – LONG-TERM OBLIGATIONS

REVENUE DEBT

2017 ELECTRIC REVENUE BONDS

The bonds were issued by the Trinity Public Utilities District under a resolution adopted by the Board of Directors of the District in the amount of \$20,835,000. The bonds were structured as serial bonds for maturities 2018 through 2039. Yields on serial bonds range from 0.97% to 3.32%. Interest rates range from 1.58% to 4%. The bonds maturing on or before April 1, 2027 are not subject to optional redemption prior to their respective stated maturity dates.

The certificates were delivered pursuant to a trust agreement, dated as of November 1, 2017, among the Authority and the Bank of New York.

TRINITY PUBLIC UTILITIES DISTRICT

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2019 and 2018

NOTE 6 – LONG-TERM OBLIGATIONS (cont.)

REVENUE DEBT (cont.)

2017 ELECTRIC REVENUE BONDS (cont.)

On November 1, 2017, bonds in the amount of \$20,835,000 were issued with an average interest rate of 1.58 - 4.0% to advance refund \$16,350,000 of outstanding 2010 revenue bonds with an average interest rate of 4.0 - 5.0% and \$5,174,361 of outstanding 2003 subordinate loan with an average interest rate of 3.39%. The net proceeds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the old bonds. As a result, that portion of the old bonds are considered defeased and the liability for that portion of the old bonds has been removed from the statement of net position.

The cash flow requirements on the old bonds prior to the advance refunding was \$33,014,361 from 2018 through 2040. The cash flow requirements on the new bonds are \$29,790,162 from 2018 through 2039. The advance refunding resulted in an economic gain of \$2,582,065.

2010 ELECTRIC REVENUE BONDS

The bonds were issued by the Trinity Public Utilities District Financing Authority under a resolution adopted by the Board of Directors of the Authority in the amount of \$19,940,000. The bonds were structured as serial bonds for maturities 2011 through 2030 and three term bonds maturing in 2032, 2035 and 2040. Yields on serial bonds range from 0.6% in 2011 to 4.37% in 2030. Interest rates range from 4.50% to 6.00%. The bonds maturing on or before April 1, 2020 are not subject to optional redemption prior to their respective stated maturity dates. The 2010 bonds maturing on April 1, 2032, April 1, 2034 and April 1, 2040 are subject to mandatory redemption in part by lot from sinking funds and payable from and secured by a pledge of net electric systems revenues. In 2017, \$16,350,000 of the outstanding principal balance of the bonds was refunded by the 2017 Electric Revenue Bonds.

The certificates were delivered pursuant to a trust agreement, dated as of October 1, 2010, among the Authority and the Bank of New York. As a condition of the 2010 Electric Revenue Bonds, the District was required to set up a reserve account. The reserve account balance at June 30, 2019 and 2018 is \$573,124 and \$579,304, respectively. In 2017, all but \$1,605,000 of the remaining bonds principal was refunded by the 2017 Electric Revenue Bonds.

2003 ENTERPRISE FUND INSTALLMENT SALE AGREEMENT

The Agreement was executed April 1, 2003 by the District and the California Infrastructure and Economic Development Bank (the "CIEDB"). The Agreement was a 30-year agreement providing for a maximum purchase price of \$7,803,800. The Agreement was interest only until July 31, 2006. Proceeds were used to upgrade and expand the electric distribution and transmission grid. The notes were payable from and secured by a pledge of net electric systems revenue. As a condition of the Agreement, the District was required to set up a reserve account. The agreement was paid off as of November 1, 2017.

TRINITY PUBLIC UTILITIES DISTRICT

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2019 and 2018

NOTE 6 – LONG-TERM LIABILITIES (cont.)

REVENUE DEBT (cont.)

Revenue bonds debt service requirements to maturity are as follows:

Payable June 30:	Principal	Interest	Total
2020	\$ 1,475,000	\$ 686,905	\$ 2,161,905
2021	920,000	646,300	1,566,300
2022	955,000	609,500	1,564,500
2023	975,000	588,012	1,563,012
2024	1,020,000	549,012	1,569,012
2025-2029	5,485,000	2,160,313	7,645,313
2030-2034	5,340,000	1,204,413	6,544,413
2035-2039	4,875,000	462,581	5,337,581
Total	21,045,000	\$ 6,907,036	\$ 27,952,036
Add: Premium	929,361		
Long term Debt, Net	\$ 21,974,361		

OTHER LONG-TERM DEBT

USDA RURAL ECONOMIC DEVELOPMENT LOAN

The agreement was executed December 15, 2016 by the District and the USDA for \$400,000 as part of the Rural Economic Development Loan and Grant Program, which provides funding for rural projects through local utility organizations. The loan is payable in monthly installments of \$3,390 on the last day of the month beginning February 28, 2017 at zero percent interest until paid in full, within ten years. The proceeds of this USDA loan were distributed to a local business in exchange for a note receivable with similar payment terms. In 2019, the local business paid back the note receivable in full. The District is still making the scheduled payments to the USDA.

TRINITY PUBLIC UTILITIES DISTRICT

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2019 and 2018

NOTE 6 – LONG-TERM LIABILITIES (cont.)

LONG-TERM OBLIGATION SUMMARY

Long-term obligation activity for the year ended June 30, 2019 is as follows:

	<u>June 30, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2019</u>	<u>Due Within One Year</u>
2010 Electric Revenue Bonds	\$ 1,090,000	-	535,000	\$ 555,000	\$ 555,000
Rural economic development loan	342,373	-	40,678	301,695	40,678
2017A Electric Revenue Bonds	20,370,000	-	285,000	20,085,000	515,000
2017B Electric Revenue Bonds	435,000	-	30,000	405,000	405,000
Unamortized premiums	976,416	-	47,055	929,361	-
Net pension liability	3,277,827	-	191,034	3,086,793	-
Retirement compensation plan	613,549	62,469	-	676,018	-
Other postemployment benefits liability	<u>2,055,561</u>	<u>-</u>	<u>254,605</u>	<u>1,800,956</u>	<u>-</u>
Totals	<u>\$ 29,160,726</u>	<u>\$ 62,469</u>	<u>\$ 1,383,372</u>	<u>\$ 27,839,823</u>	<u>\$ 1,515,678</u>

TRINITY PUBLIC UTILITIES DISTRICT

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2019 and 2018

NOTE 6 – LONG-TERM LIABILITIES (cont.)

LONG-TERM OBLIGATION SUMMARY (cont.)

Long-term obligation activity for the year ended June 30, 2018 is as follows:

	June 30,	Additions	Reductions	June 30,	Due Within One Year
2003 Enterprise Fund Installment Sale	\$ 5,435,844	\$ -	\$ 5,435,844	\$ -	-
2010 Electric Revenue Bonds	17,955,000	-	16,865,000	1,090,000	535,000
Rural economic development loan	383,051	-	40,678	342,373	40,678
2017A Electric Revenue Bonds	-	20,370,000	-	20,370,000	285,000
2017B Electric Revenue Bonds	-	465,000	30,000	435,000	30,000
Unamortized premiums	252,220	1,007,614	283,418	976,416	-
Net pension liability	2,881,546	396,281	-	3,277,827	-
Retirement compensation plan	591,832	21,717	-	613,549	-
Other postemployment benefits liability	937,067	1,118,494	-	2,055,561	-
Totals	<u>\$ 28,436,560</u>	<u>\$ 23,379,106</u>	<u>\$ 22,654,940</u>	<u>\$ 29,160,726</u>	<u>\$ 890,678</u>

NOTE 7 – RETIREMENT PLANS

DEFINED BENEFIT PLAN

Plan Description

Effective July 4, 2004, the District elected to become a participant in the California Public Employees Retirement System (CalPERS) and began making contributions into a cost-sharing, multiple-employer public employee defined benefit pension plan (PERF C or the Plan). PERF C provides retirement and retirement disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating entities within the State of California. Benefit provisions and all other requirements are established by state statute. CalPERS funding progress information for the District has been consolidated by CalPERS with other entities in the risk pool. Therefore, this information is not available solely for the District's funding progress and has not been presented in these financial statements. Copies of CalPERS' annual financial report may be obtained from their Executive Office, 400 Q Street, Sacramento, California 95811.

TRINITY PUBLIC UTILITIES DISTRICT

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2019 and 2018

NOTE 7 – RETIREMENT PLANS (cont.)

DEFINED BENEFIT PLAN (cont.)

Contributions

The District is required to contribute at an actuarially determined rate for their participants. Required contributions for the Plan are based on a percentage of payroll plus a contribution to the employer unfunded accrued liability (UAL) (paid either monthly or in a lump sum). Total contributions are broken down as follows for the classic members of the Plan:

	2019	2018
Employee Normal Cost Rate ¹	8.0%	8.0%
Employer Normal Cost Rate	12.759%	12.036%
<i>Plus Annual Lump Sum Prepayment Option</i>	\$284,865	\$247,874

¹ Per agreement with the Employees' Association's, 8% and 6.4% in 2019 and 2018, respectively, of the employee's rate is paid by the employee through payroll deduction. The remaining balance is paid by the District.

Members hired after January 1, 2013, or members who were established as a CalPERS member prior to January 1, 2013 and were rehired by a different CalPERS employer after a break in service greater than six months fall under the California Public Employees' Pension Reform Act (PEPRA). Contribution rates for PEPRA members as of June 30, 2019 and 2018 are:

	2019	2018
Employee Payroll Deduction	6.250%	6.250%
Employer Rate	6.842%	6.533%
<i>Plus Annual Lump Sum Prepayment Option</i>	\$749	\$231

The contribution rates for plan members and the District are established, and may be amended by CalPERS. For the year ending June 30, 2019 and 2018, the District's employer contributions were \$614,365 and \$555,604, respectively, equal to their required contribution for the year.

TRINITY PUBLIC UTILITIES DISTRICT

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2019 and 2018

NOTE 7 – RETIREMENT PLANS (cont.)

DEFINED BENEFIT PLAN (cont.)

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

At June 30, 2019, the District reported a net pension liability of \$3,086,793 for its proportionate share of the net pension liability. The net pension liability was 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. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. 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 plan relative to the projected contributions of all participating districts and the state, actuarially determined. At June 30, 2018, the District's proportion was 0.0819%, which was a decrease of 0.0013% from its proportion measured as of June 30, 2017.

At June 30, 2018, the District reported a net pension liability of \$3,277,827 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. 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 plan relative to the projected contributions of all participating districts and the state, actuarially determined. At June 30, 2017, the District's proportion was 0.0832%, which was an increase of 0.0003% from its proportion measured as of June 30, 2016.

For the years ended June 30, 2019 and 2018, the District recognized pension expense of \$589,705 and \$681,281, respectively.

At June 30, 2019 and 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2019		2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 351,904	\$ 86,244	\$ 555,724	\$ 42,375
Differences between expected and actual experience	118,435	40,303	4,478	64,168
Net difference between projected and actual earnings on pension plan investments	15,259	-	125,682	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	192,686	-	197,530	-
Employer contributions subsequent to the measurement date	614,365	-	555,604	-
	<u>1,292,649</u>	<u>126,547</u>	<u>1,439,018</u>	<u>106,543</u>
Totals	<u>\$ 1,292,649</u>	<u>\$ 126,547</u>	<u>\$ 1,439,018</u>	<u>\$ 106,543</u>

TRINITY PUBLIC UTILITIES DISTRICT

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2019 and 2018

NOTE 7 – RETIREMENT PLANS (cont.)

DEFINED BENEFIT PLAN (cont.)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (cont.)

Deferred outflows related to pension resulting from the employer’s contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the subsequent year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30		
2020	\$	404,586
2021		244,709
2022		(69,791)
2023		<u>(27,767)</u>
Total	\$	<u>551,737</u>

Actuarial assumptions. The total pension liability in the actuarial valuation used in the current and prior year was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	2019	2018
Actuarial valuation date	June 30, 2017	June 30, 2016
Measurement date of net pension liability (asset)	June 30, 2018	June 30, 2017
Actuarial cost method	Entry age	Entry age
Asset valuation method	Fair market value	Fair market value
Discount rate	7.15%	7.15%
Inflation	2.75%	2.75%
Mortality rate table ¹	Derived using CalPERS’ membership data for all funds	Derived using CalPERS’ membership data for all funds
Post-retirement adjustments	Contract COLA up to 2.50% until purchasing power protection allowance floor on purchasing power applies, 2.50% thereafter	Contract COLA up to 2.75% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter

¹ The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90 percent of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

TRINITY PUBLIC UTILITIES DISTRICT

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2019 and 2018

NOTE 7 – RETIREMENT PLANS (cont.)

All other actuarial assumptions used in the June 30, 2017 and 2016 valuations were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found on CalPERS' website

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

In determining the long-term expected rate of return, the Plan 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 of 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 for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rates of return by asset class as of June 30, 2019. The rates of return were calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

Asset Class	Target Asset Allocation	Real Return Years 1-10 ¹	Real Return Years 11+ ²
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0	1.00	2.62
Inflation Assets	-	0.77	1.81
Private Equity	8.0	6.30	7.23
Real Assets	13.0	3.75	4.93
Liquidity	1.0	-	(0.92)

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

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

TRINITY PUBLIC UTILITIES DISTRICT

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2019 and 2018

NOTE 7 – RETIREMENT PLANS (cont.)

The table below reflects long-term expected real rates of return by asset class as of June 30, 2018. The rates of return were calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

Asset Class	Target Asset Allocation	Real Return Years 1-10 ¹	Real Return Years 11+ ²
Global Equity	47.0%	4.90%	5.38%
Global Debt Securities	19.0	0.80	2.27
Inflation Assets	6.0	0.60	1.39
Private Equity	12.0	6.60	6.63
Real Estate	11.0	2.80	5.21
Infrastructure and Forestland	3.0	3.90	5.36
Liquidity	2.0	(0.40)	(0.90)

¹ An expected inflation of 2.50% used for this period.

² An expected inflation of 3.00% used for this period.

Discount rate. The discount rate used to measure the total pension liability as of June 30, 2019 and June 30, 2018 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 actuarially 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.

Sensitivity of the District's proportionate share of the net pension liability. The following presents the District's proportionate share of the net pension liability for June 30, 2019 and June 30, 2018 calculated using the discount rate of 7.15%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

The sensitivity analysis as of June 30, 2019 follows:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
District's proportionate share of the net pension liability	\$ 4,958,246	\$ 3,086,793	\$ 1,541,939

The sensitivity analysis as of June 30, 2018 follows:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
District's proportionate share of the net pension liability	\$ 5,334,158	\$ 3,277,827	\$ 1,760,677

TRINITY PUBLIC UTILITIES DISTRICT

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2019 and 2018

NOTE 7 – RETIREMENT PLANS (cont.)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net positions is available in separately issued financial statements available at <https://www.calpers.ca.gov/docs/forms-publications/cafr-2018.pdf>

DEFERRED COMPENSATION

The District has agreements with one current and one retired employee to provide for deferred compensation equal to the amount of the District's tax liability under the Federal Insurance Contributions Act as such employees are not contributing to FICA. For the years ended June 30, 2019 and 2018, the District made total contributions of \$11,617 and \$9,684, respectively. The deferred compensation is not available to the employees until normal retirement age, or after termination, or death. Deferred compensation amounts under this plan, all property and rights purchased with those amounts, and all income attributed to those amounts are (until paid or made available to the employee or other beneficiary) solely the property and rights of the District (without being restricted to the provisions of benefits under the plan), subject only to the claims of the District's general creditors. Participant's rights under the plan are equal to those of the general creditors of the District, in an amount equal to the fair market value of the deferred account for each participant.

NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (cont.)

GENERAL INFORMATION ABOUT THE OPEB PLAN

Plan description. The District provides postemployment healthcare benefits, in accordance with union agreements, to all employees who retire from the District that meet the criteria listed below:

- > The sum of an employee's age and number of years of full-time service equals 75 or more, upon retiring the employee may, with carrier approval, continue participation in the District medical insurance program for the employee and the employee's family.
- > Employees who are CalPERS members must be receiving benefits from CalPERS.
- > The retiree must agree to pay the District any amount of insurance premium that the District does not contribute.
- > When an employee who was hired prior to September 12, 2014 terminates employment with the District, is eligible and elects to continue participation in the District's medical insurance program and reaches the age of eligibility for Medicare, the employee may elect to receive a contribution from the District equal to one-third (1/3) of the amount provided in Article 26.3(b) except, however, if either the retiree or the retiree's spouse reached the age of eligibility for Medicare, but the other has not, the District's contributions will be equal to one-half (1/2) of the amount provided for in Article 23.3(b) until both have reached the age of eligibility for Medicare. The District's contribution will be available through a qualified Health Reimbursement Account. Employees hired after September 12, 2014 will not be eligible for this contribution.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

TRINITY PUBLIC UTILITIES DISTRICT

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2019 and 2018

NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (cont.)

Benefits provided. The District provides healthcare and life insurance benefits for retirees and their dependents. The benefit terms provide for payment of \$690.06 per month towards medical, prescription drug, dental and vision care premiums. The dollar amount is effective July 1, 2018 and is assumed to increase with the consumer price index. When the retiree reaches Medicare eligibility, the District contribution is reduced to 1/3 of the full amount and payment will be placed in a qualified Health Reimbursement Account.

Employees covered by benefit terms. As of the actuarial valuation dates, June 30, 2018 and 2016, the following employees were covered by the benefit terms:

	2018	2016
Active plan members	22	21
Inactive plan members or beneficiaries currently receiving benefit payments	3	3
Total Plan Members	25	24

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

	2019	2018
Actuarial valuation date	June 30, 2018	June 30, 2016
Measurement date of net pension liability (asset)	June 30, 2018	June 30, 2017
Actuarial cost method	Entry age	Entry age
Discount rate	3.62%	3.56%
Inflation	2.50%	2.75%
Mortality rate table ¹	Based on assumptions for Public Agency Miscellaneous members published in the December 2017 CalPERS Experience Study.	Based on assumptions for Public Agency Miscellaneous members published in the December 2017 CalPERS Experience Study.
Healthcare cost trend rate	6.90% for 2019, gradually decreasing over several decades to an ultimate rate of 4.00% in 2076 and later years.	6.80% for 2017, gradually decreasing to an ultimate rate of 4.40% in 2075 and later.
Increases in direct subsidy	Assumed to increase with healthcare trend rates. The flat dollar direct subsidy amount is assumed to increase with general inflation.	Assumed to increase by their actual increases of 1.43% for fiscal year beginning 2016 and 2.75% thereafter.

The discount rates used were based on the Fidelity 20-Year Municipal GO AA Index.

The actuarial assumptions used in the June 30, 2016 valuation were based on the same data used in the June 30, 2016 GASB 45 actuarial valuation report.

TRINITY PUBLIC UTILITIES DISTRICT

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2019 and 2018

NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (cont.)

CHANGES IN THE TOTAL OPEB LIABILITY

	<u>Total OPEB Liability</u>
Balances at 6/30/2017	<u>\$ 2,123,744</u>
Changes for the year:	
Service cost	85,667
Interest	63,548
Changes in assumptions or other inputs	(151,206)
Benefit payments	<u>(66,192)</u>
Net changes	<u>(68,183)</u>
Balances at 6/30/2018	<u>\$ 2,055,561</u>
Changes for the year:	
Service cost	78,375
Interest	74,747
Differences between expected and actual experience	(215,726)
Changes in assumptions or other inputs	(123,385)
Benefit payments	<u>(68,616)</u>
Net changes	<u>(254,605)</u>
Balances at 6/30/2019	<u>\$ 1,800,956</u>

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease (2.62%)	Discount Rate (3.62%)	1% Increase (4.62%)
2019 Total OPEB liability	<u>\$ 2,013,714</u>	<u>\$ 1,800,956</u>	<u>\$ 1,620,369</u>
	1% Decrease (2.56%)	Discount Rate (3.56%)	1% Increase (4.56%)
2018 Total OPEB liability	<u>\$ 2,299,406</u>	<u>\$ 2,055,561</u>	<u>\$ 1,849,250</u>

TRINITY PUBLIC UTILITIES DISTRICT

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2019 and 2018

NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (cont.)

CHANGES IN THE TOTAL OPEB LIABILITY (cont.)

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease (5.9% Decreasing to 3.0%)	Healthcare Cost Trend Rates (6.9% Decreasing to 4.0%)	1% Increase (7.9% Decreasing to 5.0%)
2019 Total OPEB liability	<u>\$ 1,580,785</u>	<u>\$ 1,800,956</u>	<u>\$ 2,069,239</u>
	1% Decrease (5.8% Decreasing to 3.4%)	Healthcare Cost Trend Rates (6.8% Decreasing to 4.4%)	1% Increase (7.8% Decreasing to 5.4%)
2018 Total OPEB liability	<u>\$ 1,793,835</u>	<u>\$ 2,055,561</u>	<u>\$ 2,376,054</u>

OPEB EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB

For the years ended June 30, 2019 and 2018, the District recognized OPEB expense of \$80,648 and \$127,583, respectively.

At June 30, 2019 and 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2019		2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ -	\$ 212,828	\$ -	\$ 129,574
Differences between expected and actual experience	-	183,383		
Employer contributions subsequent to the measurement date	46,680	-	45,610	-
Totals	\$ 46,680	\$ 396,211	\$ 45,610	\$ 129,574

TRINITY PUBLIC UTILITIES DISTRICT

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended June 30, 2019 and 2018

NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (cont.)

Deferred outflows related to OPEB contributions subsequent to the measurement date reported in the table above will be recognized as a reduction of the total OPEB liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:		\$	
2020		(72,474)	
2021		(72,474)	
2022		(72,474)	
2023		(72,474)	
2024		(72,256)	
Thereafter		(34,059)	

NOTE 9 – TRINITY PUBLIC UTILITIES DISTRICT FINANCING AUTHORITY

The Authority is a joint power authority that provides financing for public improvements of the District, and is accounted for as a component unit of the District. The revenues and expenses of the Authority are eliminated upon consolidation with the District. The Authority's summary financial information as of June 30, 2019 and 2018 and for the years then ended is as follows:

	2019	2018
Total assets	\$ 573,124	\$ 1,099,513
Total deferred outflows of resources	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 573,124</u>	<u>\$ 1,099,513</u>
Total liabilities	\$ 573,124	\$ 1,099,513
Net position	-	-
Total Liabilities and Net Position	<u>\$ 573,124</u>	<u>\$ 1,099,513</u>
Revenues and Expenses		
Revenues:		
Debt service contributions	\$ 20,931	\$ 225,564
Interest income	11,769	8,988
Total Revenues	<u>32,700</u>	<u>234,552</u>
Interest expense	<u>(32,700)</u>	<u>(234,552)</u>
Change in net position	-	-
NET POSITION, Beginning of Year	-	-
NET POSITION, End of Year	<u>\$ -</u>	<u>\$ -</u>

TRINITY PUBLIC UTILITIES DISTRICT

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2019 and 2018

NOTE 9 – TRINITY PUBLIC UTILITIES DISTRICT FINANCING AUTHORITY (cont.)

Cash Flows

Net cash used by noncapital financing activities	\$ (17,950)	\$ -
Net cash provided by investing activities	11,769	8,988
Net cash (used) / provided by capital and financing activities	<u>-</u>	<u>(738,139)</u>
Net Change in Cash and Cash Equivalents	(6,181)	(729,151)
CASH AND CASH EQUIVALENTS, Beginning of the Year	<u>579,304</u>	<u>1,308,455</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$ 573,124</u>	<u>\$ 579,304</u>

NOTE 10 – COMMITMENTS AND CONTINGENCIES

LONG TERM POWER SUPPLY

The District purchases all of its power from the Western Area Power Administration at cost based on a first preference right granted by Congress in the 1955 Trinity River Division Act. The 1955 Act provided for the United States Government to build the Trinity Dam and reserves, in perpetuity, the first 25 percent of the resulting energy generated to be sold at cost for use in, and only within, Trinity County.

CLAIMS AND JUDGMENTS

From time to time, the District is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the District's legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the utility's financial position or results of operations.

The District has denied all claims it has received related to the Helena Fire of 2017. The District has compiled evidence that the District's power lines were not responsible for starting the fire, and therefore believes that claims made against the District as a result of the fire are unlikely to have a material adverse effect on the District's financial position.

NOTE 11 – RISK MANAGEMENT

The District manages its exposure 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 by participating in risk pools described below.

The District participates in risk pools with the Special District Risk Management Authority (SDRMA) which provides property, liability, and workers' compensation insurance to its member districts. The District pays premiums commensurate with the levels of coverage requested. The authority is governed by a board consisting of members elected from the participating districts, which control the operations of the authorities independent of any influence by the District beyond the District's representation on the governing board. The District's share of year-end assets, liabilities, or fund equity is not calculated by the Joint Powers Authority.

TRINITY PUBLIC UTILITIES DISTRICT

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2019 and 2018

NOTE 12 – CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE

The utility adopted GASB Statement No. 75 effective July 1, 2017. The cumulative effect of implementation is reflected as a change in net position as follows:

GASB No. 45 OPEB liability	\$	937,067
July 1, 2017 GASB No. 75 total OPEB liability		(2,123,744)
District contributions to OPEB made after the measurement date		<u>66,192</u>
Cumulative Effect of a Change in Accounting	\$	<u>(1,120,485)</u>

REQUIRED SUPPLEMENTARY INFORMATION

TRINITY PUBLIC UTILITIES DISTRICT

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -
CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM - PERF C
For the Year Ended June 30, 2019

Information in the table below is presented as of the measurement date.

Fiscal Year Ending	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/19	0.0819%	\$ 3,086,793	\$ 2,317,156	133.21%	78%
6/30/18	0.0832%	3,277,827	2,118,031	154.76%	75%
6/30/17	0.0829%	2,881,546	2,148,429	134.12%	76%
6/30/16	0.0881%	2,415,960	1,993,596	121.19%	80%
6/30/15	0.0804%	2,067,193	1,992,151	103.77%	80%

SCHEDULE OF EMPLOYER CONTRIBUTIONS
For the Year Ended June 30, 2019

Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
6/30/19	\$ 614,365	\$ 614,365	\$ -	\$ 2,365,828	25.97%
6/30/18	555,604	555,604	-	2,317,156	23.98%
6/30/17	569,927	569,927	-	2,118,031	26.91%
6/30/16	605,773	605,773	-	2,148,429	28.20%
6/30/15	604,434	604,434	-	1,993,596	30.32%

See independent auditors' report and accompanying notes to the required supplementary information.

TRINITY PUBLIC UTILITIES DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended June 30, 2019

CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM

The District is required to present the last ten fiscal years of data; however accounting standards allow the presentation of as many years as are available until ten fiscal years are presented.

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

Changes in Assumptions. In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate.

TRINITY PUBLIC UTILITIES DISTRICT

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
For the Year Ended June 30, 2019

	2019	2018
Total OPEB Liability		
Service cost	\$ 78,375	\$ 85,667
Interest	74,747	63,548
Changes of benefit terms	-	-
Differences between expected and actual experience	(215,726)	-
Changes of assumptions	(123,385)	(151,206)
Benefit payments	(68,616)	(66,192)
Net Change in Total OPEB Liability	(254,605)	(68,183)
Total OPEB Liability - Beginning	2,055,561	2,123,744
Total OPEB Liability - Ending	\$ 1,800,956	\$ 2,055,561
Covered-employee payroll	\$ 2,852,514	\$ 2,715,441
Total OPEB liability as a percentage of covered-employee payroll	63.14%	75.70%

Notes to Schedule:

The District implemented GASB Statement No. 75 in fiscal year 2018. Information from 2010 - 2017 is not available and this schedule will be presented on a prospective basis.

Changes in benefit terms. There were no changes of benefit terms.

Changes in Assumptions.

The following discount rates were used in the period presented above:

2019	3.62%
2018	3.56%

The following inflation rates were used in the period presented above:

2019	2.50%
2018	2.75%

In addition, healthcare cost trend rates were adjusted slightly starting at 6.8% for 2017 versus 6.9% for 2019.

S U P P L E M E N T A R Y I N F O R M A T I O N

TRINITY PUBLIC UTILITIES DISTRICT

SCHEDULE OF REVENUES AND EXPENSES - BUDGET TO ACTUAL For the Year Ended June 30, 2019

	Actual on GAAP Basis	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Budget	Variance Favorable (Unfavorable)
OPERATING REVENUES					
Retail sales	\$ 9,732,157	\$ 17,326	\$ 9,749,483	\$ 9,980,098	\$ (230,615)
Fees and charges	78,361	(230)	78,131	109,279	(31,148)
Other revenue	2,986,405	(38,523)	2,947,882	2,283,230	664,652
Total Operating Revenues	<u>12,796,923</u>	<u>(21,427)</u>	<u>12,775,496</u>	<u>12,372,607</u>	<u>402,889</u>
OPERATING EXPENSES					
Power acquisition	2,594,472	-	2,594,472	2,208,299	386,173
Operations and maintenance	3,498,284	(3,256)	3,495,028	2,688,643	806,385
Customer accounts	729,709	(20,714)	708,995	781,257	(72,262)
Administrative and general	1,565,351	(38,738)	1,526,613	1,486,862	39,751
Depreciation and amortization	2,116,905	(2,116,905)	-	-	-
Total Operating Expenses	<u>10,504,721</u>	<u>(2,179,613)</u>	<u>8,325,108</u>	<u>7,165,061</u>	<u>1,160,047</u>
OPERATING INCOME	<u>2,292,202</u>	<u>2,158,186</u>	<u>4,450,388</u>	<u>5,207,546</u>	<u>(757,158)</u>
NONOPERATING INCOME (EXPENSE)					
Investment income	203,817	31,967	171,850	93,406	78,444
Other income	(330,542)	(330,542)	-	-	-
Interest Expense / Debt service	(713,187)	854,241	(1,567,428)	(1,567,428)	-
Capital outlay	-	2,777,206	(2,777,206)	(3,909,492)	1,132,286
Total Nonoperating Income (Expense)	<u>(839,912)</u>	<u>3,332,872</u>	<u>(4,172,784)</u>	<u>(5,383,514)</u>	<u>1,210,730</u>
CAPITAL CONTRIBUTIONS	<u>223,646</u>	<u>44,556</u>	<u>268,202</u>	<u>275,623</u>	<u>(7,421)</u>
CHANGE IN NET POSITION	<u>\$ 1,675,936</u>	<u>\$ (1,130,130)</u>	<u>\$ 545,806</u>	<u>\$ 99,655</u>	<u>\$ 446,151</u>