# TRINITY PUBLIC UTILITIES DISTRICT

Weaverville, California

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended June 30, 2018 and 2017

**TRINITY PUBLIC UTILITIES DISTRICT**
Weaverville, California

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As of and for the Years Ended June 30, 2018 and 2017

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Trinity Public Utilities District, as of and for the years ended June 30, 2018 and 2017, 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, 2018 and 2017, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matters***

As discussed in Note 1, Trinity Public Utilities District adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other than Pensions* effective July 1, 2017. The cumulative effect of the change is shown in the current year. Our opinion is not modified with respect to this matter.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the 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 supplemental 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 supplemental 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 13, 2018

# MANAGEMENT'S DISCUSSION AND ANALYSIS

# TRINITY PUBLIC UTILITIES DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS
**(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, 2018. 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 $21.095 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 $1.359 million over the course of 2018. Total liabilities and deferred inflows of resources increased $1.005 million for a net increase to net position of $0.354 million.
- The District's Retail sales revenues increased $.070 million in 2018 primarily due to weather conditions. Other revenues decreased by $1.302 million. This decrease is attributable to the removal of the Drought Relief Surcharge for 8 months of the fiscal year.
- The District's net operating expenses decreased by $1.486 million due to a combination of decreased and increased costs. Power Acquisition decreased $1.677 million (attributable to the end of a five-year drought) and Customer Accounts decreased $0.226 million. Increases include Operations & Maintenance Expenses $0.026 million, Administrative and General Expenses $0.369 million and Depreciation and Amortization $0.022 million.
- The District's net non-operating expenses increased by $0.763 million due primarily to the retirement of the old meter system.

## 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.

## 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 16 through 43 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 pages 48 to 49 of this report.

# TRINITY PUBLIC UTILITIES DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS
(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 I**
**Condensed Balance Sheet**

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| Current and other assets | $ 11,005,378 | $ 11,307,223 | $ 10,228,572 |
| Non-current assets | 38,427,718 | 38,108,950 | 37,606,602 |
| Total Assets | 49,433,096 | 49,416,173 | 47,835,174 |
| Deferred outflows of resources | 2,531,381 | 1,189,741 | 918,394 |
| Total Assets and Deferred Outflows of Resources | $ 51,964,477 | $ 50,605,914 | $ 48,753,568 |
| Current liabilities | $ 2,363,787 | $ 2,148,363 | $ 1,897,832 |
| Non-current liabilities | 28,270,048 | 27,619,400 | 27,418,196 |
| Total Liabilities | 30,633,835 | 29,767,763 | 29,316,028 |
| Deferred inflows of resources | 236,117 | 97,415 | 637,967 |
| Total Liabilities and Deferred Inflows of Resources | 30,869,952 | 29,865,178 | 29,953,995 |
| Net position: | | | |
| Net investment in capital assets | 15,132,311 | 12,871,164 | 10,407,844 |
| Unrestricted net position | 5,962,214 | 7,869,572 | 8,391,729 |
| Total Net Position | 21,094,525 | 20,740,736 | 18,799,573 |
| Total Liabilities and Net Position | $ 51,964,477 | $ 50,605,914 | $ 48,753,568 |

**BALANCE SHEET** (cont.)

Total assets and deferred outflows of resources increased $1.359 million over the course of 2018. Total liabilities and deferred inflows of resources increased $1.005 million for a net increase to net position of $0.354 million.

Changes in assets included:

- Current assets - decreased from $11.307 million to $11.005 during the current fiscal year. This $0.302 million decrease was primarily due to a decrease to accounts receivable and prepaid power expenses due to significantly decreased power costs. These decreases were partially offset by an increase to cash and cash equivalents.
- Noncurrent assets - increase of $0.319 million, due primarily to an increase to notes receivable and ongoing capital improvements and replacements.

Changes in liabilities included:

- Current liabilities – a net increase in overall current liabilities of $0.215 million due mainly to an increase to compensated absences and accounts payable at year-end.
- Noncurrent liabilities – an increase of $0.651 million primarily due to the cumulative effect of a change in accounting principle which was partially offset by a decrease to long term debt.

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.

**BALANCE SHEET** (cont.)

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

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| Operating revenues | $ 11,227,459 | $ 12,458,946 | $ 11,929,766 |
| Operating expenses | 8,491,742 | 9,978,060 | 10,689,348 |
| Operating Income | 2,735,717 | 2,480,886 | 1,240,418 |
| Non-operating revenues (expenses) | (1,694,350) | (931,170) | (941,507) |
| Capital Contributions | 432,907 | 131,708 | 232,646 |
| **Changes in Net Position** | **1,474,274** | **1,681,424** | **531,557** |
| Net position, beginning of the year, as restated | 20,740,736 | 19,059,312 | 18,268,016 |
| Cumulative effect of change in accounting principle | (1,120,485) | - | 259,739 |
| Net Position, end of the year | **$ 21,094,525** | **$ 20,740,736** | **$ 19,059,312** |

## CAPITAL ASSETS

As of June 30, 2018, the District had $36.361 million invested in a variety of capital assets, net of accumulated depreciation, as shown in Table III below.

**Table III**
**Capital Assets**

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| Distribution system | $ 44,421,681 | $46,302,022 | $44,002,642 |
| Substations | 6,641,432 | 6,401,337 | 6,374,655 |
| Buildings & improvements | 2,571,533 | 2,585,027 | 2,585,027 |
| Vehicles, tools and other equipment | 3,204,000 | 4,978,026 | 4,840,234 |
| | 56,838,646 | 60,266,412 | 57,802,558 |
| Less accumulated depreciation | (24,842,674) | (29,887,754) | (28,088,426) |
| Land | 1,364,088 | 1,341,129 | 1,191,736 |
| Work in progress | 3,001,168 | 3,001,168 | 3,578,989 |
| Net capital assets | $ 36,361,228 | $34,720,955 | $34,484,857 |

The District retired $6.281 million of fully depreciated assets, retired most of its old meter system ($1.532 million) and invested $4.408 million in capital improvements before depreciation in 2018.

## 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.

## BUDGETARY HIGHLIGHTS (cont.)

FY 17/18 Budget projected a decrease to reserves of $1,988,196. However, FY 17/18 ended with a decrease in total reserves of $1,051,532. The smaller decrease to reserves is primarily due to reduced power costs resulting from the end of the drought and capital projects proceeding at a slower pace than anticipated in the Budget.

Additional information on the District's budget comparison for 2017/2018 can be found on pages 48 and 49 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 it's debt obligations. At the end of fiscal year 2018, the District had total long-term debt outstanding of $22.237 million, including current maturities. $1.090 million is comprised of 2010 Electric Revenue Bonds issued during fiscal year 2011, $20.370 million of 2017 Series A Electric Revenue Bonds, $0.435 million of 2017 Series B Electric Revenue Bonds and $0.342 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 25 through 29 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 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.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES (cont.)

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, 2018 and 2017

| | 2018 | 2017 |
|---|---|---|
| ***ASSETS*** | | |
| **CURRENT ASSETS** | | |
| Cash and cash equivalents | $ 8,242,570 | $ 8,004,582 |
| Accounts receivable, net | 1,438,974 | 1,838,836 |
| Other receivables | 41,220 | 33,195 |
| Inventories | 825,155 | 808,341 |
| Prepaid expenses | 266,781 | 431,591 |
| Due from other governments, current portion | 150,000 | 150,000 |
| Note receivable, current portion | 40,678 | 40,678 |
| Total Current Assets | 11,005,378 | 11,307,223 |
| **NONCURRENT ASSETS** | | |
| Restricted cash and cash equivalents | 627,049 | 1,790,202 |
| Investment in retirement annuity | 613,549 | 591,832 |
| Due from other governments, long-term portion | 100,714 | 249,178 |
| Interest receivable - due from other governments | 423,483 | 414,410 |
| Note receivable, long-term portion | 301,695 | 342,373 |
| Capital Assets | | |
| Land | 1,364,088 | 1,341,129 |
| Depreciable capital assets | 56,838,646 | 60,266,412 |
| Less: Accumulated depreciation | (24,842,674) | (29,887,754) |
| Construction in progress | 3,001,168 | 3,001,168 |
| Total Noncurrent Assets | 38,427,718 | 38,108,950 |
| Total Assets | 49,433,096 | 49,416,173 |
| ***DEFERRED OUTFLOWS OF RESOURCES*** | | |
| Unamortized loss on refunding | 1,046,753 | 30,455 |
| Deferred outflows related to OPEB | 45,610 | - |
| Deferred outflows related to pension | 1,439,018 | 1,159,286 |
| Total Deferred Outflows of Resources | 2,531,381 | 1,189,741 |
| **TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES** | $ 51,964,477 | $ 50,605,914 |

| | 2018 | 2017 |
|---|---|---|
| ***LIABILITIES*** | | |
| **CURRENT LIABILITIES** | | |
| Accounts payable | $ 268,821 | $ 163,579 |
| Wages payable | 141,191 | 122,635 |
| Compensated absences payable | 420,903 | 353,920 |
| Retirement plan payable | 17,656 | 17,181 |
| Customer deposits | 215,041 | 178,516 |
| Construction advances | 121,131 | 201,536 |
| Other accrued liabilities | 9,009 | 7,376 |
| Unearned revenue | 100,000 | - |
| Accrued interest | 179,357 | 286,460 |
| Current portion of revenue bonds | 850,000 | 776,482 |
| Current portion of note payable | 40,678 | 40,678 |
| Total Current Liabilities | 2,363,787 | 2,148,363 |
| **NONCURRENT LIABILITIES** | | |
| Revenue debt | 22,021,416 | 22,866,582 |
| Note payable | 301,695 | 342,373 |
| Net pension liability | 3,277,827 | 2,881,546 |
| Retirement compensation plan | 613,549 | 591,832 |
| Other postemployment benefits liability | 2,055,561 | 937,067 |
| Total Noncurrent Liabilities | 28,270,048 | 27,619,400 |
| Total Liabilities | 30,633,835 | 29,767,763 |
| ***DEFERRED INFLOWS OF RESOURCES*** | | |
| Deferred inflows related to OPEB | 129,574 | - |
| Deferred inflows related to pension | 106,543 | 97,415 |
| Total Deferred Inflows of Resources | 236,117 | 97,415 |
| ***NET POSITION*** | | |
| Net investment in capital assets | 15,132,311 | 12,871,164 |
| Unrestricted net position | 5,962,214 | 7,869,572 |
| Total Net Position | 21,094,525 | 20,740,736 |
| **TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION** | $ 51,964,477 | $ 50,605,914 |

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, 2018 and 2017

| | 2018 | 2017 |
|---|---|---|
| **OPERATING REVENUES** | | |
| Retail sales | $ 9,782,863 | $ 9,712,650 |
| Fees and charges | 100,765 | 120,095 |
| Other revenue | 1,343,831 | 2,626,201 |
| Total Operating Revenues | 11,227,459 | 12,458,946 |
| **OPERATING EXPENSES** | | |
| Power acquisition | 1,519,784 | 3,196,486 |
| Operations and maintenance | 2,698,988 | 2,673,277 |
| Customer accounts | 682,429 | 908,741 |
| Administrative and general | 1,589,382 | 1,220,683 |
| Depreciation and amortization | 2,001,159 | 1,978,873 |
| Total Operating Expenses | 8,491,742 | 9,978,060 |
| Operating Income | 2,735,717 | 2,480,886 |
| **NONOPERATING REVENUES (EXPENSES)** | | |
| Investment income | 101,771 | 50,806 |
| Loss on retirement of assets | (766,948) | - |
| Interest expense | (1,029,173) | (981,976) |
| Total Nonoperating Revenues (Expenses) | (1,694,350) | (931,170) |
| **CAPITAL CONTRIBUTIONS** | 432,907 | 131,708 |
| **Change in Net Position** | 1,474,274 | 1,681,424 |
| NET POSITION - Beginning of Year (See Note 12) | 20,740,736 | 19,059,312 |
| Cumulative effect of a change in accounting principle | (1,120,485) | - |
| **NET POSITION - END OF YEAR** | $ 21,094,525 | $ 20,740,736 |

See accompanying notes to financial statements.

# TRINITY PUBLIC UTILITIES DISTRICT

STATEMENT OF CASH FLOWS
For the Years Ended June 30, 2018 and 2017

| | 2018 | 2017 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Cash received from customers | $ 11,655,821 | $ 13,069,187 |
| Cash paid to suppliers | (3,586,022) | (6,702,101) |
| Cash paid to employees for services | (2,297,152) | (2,184,438) |
| Net Cash Flows From Operating Activities | 5,772,647 | 4,182,648 |
| **CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES** | | |
| Proceeds received from note payable, net of current year repayment | - | 342,373 |
| Cash paid for note receivable, net of current year repayment | - | (342,373) |
| Principal and interest received on note receivable | 40,678 | - |
| Principal and interest paid on note payable | (40,678) | - |
| Payments from other governments | 148,464 | 150,830 |
| Net Cash Flows From Noncapital and Related Financing Activities | 148,464 | 150,830 |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | | |
| Purchases of utility plant and construction in progress | (4,450,494) | (2,230,075) |
| Contributions received for construction | 352,502 | 255,239 |
| 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 | (806,483) | (747,908) |
| Interest paid | (840,765) | (992,718) |
| Net Cash Flows From Capital and Related Financing Activities | (6,938,974) | (3,715,462) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Interest income | 92,698 | 46,362 |
| **Net Change in Cash and Cash Equivalents** | (925,165) | 664,378 |
| CASH AND CASH EQUIVALENTS – Beginning of Year | 9,794,784 | 9,130,406 |
| **CASH AND CASH EQUIVALENTS – END OF YEAR** | $ 8,869,619 | $ 9,794,784 |
| **SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES** | | |
| Amortization | $ 375 | $ 1,587 |
| Advanced refunding | $ 20,835,000 | $ - |

| | 2018 | 2017 |
|---|---|---|
| **RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES** | | |
| Operating income | $ 2,735,717 | $ 2,480,886 |
| Adjustments to reconcile operating income to net cash flows provided by operating activities | | |
| Depreciation and amortization | 2,001,159 | 1,978,873 |
| Change in operating assets and liabilities | | |
| Accounts receivable | 399,862 | (44,887) |
| Other receivable | (8,025) | 12,602 |
| Inventories | (16,814) | 71,300 |
| Prepaid expenses | 164,810 | (276,920) |
| Accounts payable | 64,116 | (148,528) |
| Accrued wages and related costs | 67,458 | 191,056 |
| Customer deposits | 36,525 | 36,753 |
| Post employment retirement benefit | 1,118,494 | 88,356 |
| Pension and Other Post Employment Benefits related deferrals and liabilities | (910,844) | (209,569) |
| Other liabilities | 120,189 | 2,726 |
| Total Adjustments | 3,036,930 | 1,701,762 |
| **NET CASH PROVIDED BY OPERATING ACTIVITIES** | $ 5,772,647 | $ 4,182,648 |
| **RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION** | | |
| Cash and cash equivalents | $ 8,242,570 | $ 8,004,582 |
| Restricted cash and cash equivalents | 627,049 | 1,790,202 |
| **TOTAL CASH AND CASH EQUIVALENTS, END OF YEAR** | $ 8,869,619 | $ 9,794,784 |

See accompanying notes to financial statements.

## 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, 2018 and 2017, 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 2015, the GASB issued Statement No. 75 - *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. This statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. This standard was implemented July 1, 2017. The cumulative effect of the change in accounting principle is shown in the current year and described in Note 12.

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.

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

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

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, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of 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 "invested in capital assets, net of related debt."

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.

### *ACCOUNTS RECEIVABLE*

The District utilizes the allowance for doubtful accounts method with respect to its accounts receivable. The allowance was $279,694 and $459,842 at June 30, 2018 and 2017, respectively.

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

### *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.

### *PREPAID EXPENSES*

This represents amounts paid for services or insurance coverage to be provided in future periods.

### *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. See Note 6 for information on the loan from the USDA.

### *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. Interest incurred during the construction phase is reflected in the capitalized value of the capital assets constructed, net of interest earned on the invested proceeds over the same period. 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 |
| 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.

### *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.

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

### *Compensated Absences Payable* (cont.)

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.

### *Unamortized Loss on Refunding*

The deferred charge resulting from the refunding of debt is amortized over the shorter of the term of the refunding issue or the original term of the refunded debt.

### *Pension Plan*

All full-time District employees are members of a risk pool of the State of California Public Employees' Retirement System, a cost-sharing multiple-employer defined benefits pension plan. The District's policy is to fund all pension costs accrued; such costs to be funded are determined annually as of July 1st by the System's actuary. See Note 7 for a detailed explanation of the District's pension funding policy.

## 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.

### *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. 80, *Blending Requirements for Certain Component Units*, *an amendment of GASB Statement No. 14*, Statement No. 81*, Irrevocable Split-Interest Agreements*, Statement No. 83, *Certain Asset Retirement Obligations*, Statement No. 84, *Fiduciary Activities*, Statement No. 85, *Omnibus*, Statement No. 86, *Certain Debt Extinguishment Issues*, Statement No. 87, *Leases*, Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements,* Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period,* and Statement No. 90, *Majority Equity Interests, an amendment of GASB Statement No. 14 and No. 61.* 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 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.

## 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, 2018 and 2017, 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 Districts' 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, 2018 and 2017, the District did not have any deposits exposed to custodial credit risk.

## 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, 2018 and 2017, the District's investments were rated as follows:

| | 2018 | | 2017 | |
|---|---|---|---|---|
| Investment Type | 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:

| | 2018 | 2017 |
|---|---|---|
| Reserve | $ 579,304 | $ 1,762,818 |
| Cost of Issuance | 16,442 | - |
| Section 125 Plan Fund | 31,303 | 27,384 |
| Total | $ 627,049 | $ 1,790,202 |

### *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.

## 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, 2018 and 2017, the current outstanding principal balance due is $250,714 and $399,178, 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, 2018 and 2017, the LAIF's rate was 1.9% and 0.78%, respectively, and accrued interest due was $423,483 and $414,410, 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, 2018 and 2017, the District has recouped a total of $1,846,630 and $1,698,166, respectively.

Due from other governments at June 30, 2018 and 2017, are comprised of the following:

| | 2018 | 2017 |
|---|---|---|
| Trinity County, principal | $ 250,714 | $ 399,178 |
| Trinity County, interest | 423,483 | 414,410 |
| Total Due from Other Governments | 674,197 | 813,588 |
| Less: Current portion | (150,000) | (150,000) |
| Less: Interest receivable – due from other governments | (423,483) | (414,410) |
| Total Due From Other Governments, Long-Term Portion | $ 100,714 | $ 249,178 |

# TRINITY PUBLIC UTILITIES DISTRICT

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2018 and 2017

## NOTE 5 – CHANGES IN CAPITAL ASSETS

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 |
| Construction in progress | 3,001,168 | - | - | 3,001,168 |
| Total Capital Assets Not Being Depreciated | 4,342,297 | 22,959 | - | 4,365,256 |
| 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 | $ 34,720,955 | $ 2,407,221 | $ 766,948 | $ 36,361,228 |

## NOTE 5 – CHANGES IN CAPITAL ASSETS (cont.)

A summary of changes in capital assets for the year ended June 30, 2017 is as follows:

| | Balance June 30, 2016 | Increases | Decreases | Balance June 30, 2017 |
|---|---|---|---|---|
| Capital assets not being depreciated | | | | |
| Land | $ 1,191,736 | $ 149,393 | $ - | $ 1,341,129 |
| Construction in progress | 3,578,989 | 16,324 | 594,145 | 3,001,168 |
| Total Capital Assets Not Being Depreciated | 4,770,725 | 165,717 | 594,145 | 4,342,297 |
| Capital assets being depreciated | | | | |
| Utility plant | 50,377,297 | 2,326,062 | - | 52,703,359 |
| Buildings and improvements | 2,585,027 | - | - | 2,585,027 |
| Equipment | 4,840,234 | 317,337 | 179,545 | 4,978,026 |
| Total Capital Assets Being Depreciated | 57,802,558 | 2,643,399 | 179,545 | 60,266,412 |
| Less: Accumulated depreciation for | | | | |
| Utility plant | (21,973,604) | (1,557,689) | - | (23,531,293) |
| Buildings and improvements | (2,005,963) | (120,992) | - | (2,126,955) |
| Equipment | (4,108,859) | (300,192) | (179,545) | (4,229,506) |
| Total Accumulated Depreciation | (28,088,426) | (1,978,873) | (179,545) | (29,887,754) |
| Total Capital Assets Being Depreciated, Net | 29,714,132 | 664,526 | - | 30,378,658 |
| Net Capital Assets | $ 34,484,857 | $ 830,243 | $ 594,145 | $ 34,720,955 |

## 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 Authority 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.

## 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, 2018 and 2017 is $579,304 and $1,308,452, 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 is a 30-year agreement providing for a maximum purchase price of $7,803,800. The Agreement is interest only until July 31, 2006. Proceeds will be used to upgrade and expand the electric distribution and transmission grid. The notes are 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 upon CIEDB issuance of bonds. As of June 30, 2018 and 2017, the reserve account balance is $0 and $454,366, respectively.

## NOTE 6 – LONG-TERM LIABILITIES (cont.)

***REVENUE DEBT*** (cont.)

***2003 ENTERPRISE FUND INSTALLMENT SALE AGREEMENT*** (cont.)

Revenue bonds debt service requirements to maturity are as follows:

| Payable June 30: | Principal | Interest | Total |
|---|---|---|---|
| 2019 | $ 850,000 | $ 717,428 | $ 1,567,428 |
| 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 |
| 2024-2028 | 5,385,000 | 2,354,313 | 7,739,313 |
| 2029-2033 | 5,570,000 | 1,382,712 | 6,952,712 |
| 2034-2038 | 4,730,000 | 606,950 | 5,336,950 |
| 2039 | 1,035,000 | 32,344 | 1,067,344 |
| Total | 21,895,000 | $ 7,624,464 | $ 29,519,464 |
| Add: Premium | 976,416 | | |
| Long term Debt, Net | $ 22,871,416 | | |

***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.

## NOTE 6 – LONG-TERM LIABILITIES (cont.)

### *LONG-TERM OBLIGATION SUMMARY*

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

| | June 30, 2017 | Additions | Reductions | June 30, 2018 | 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 | $ 28,436,560 | $ 23,379,106 | $ 22,654,940 | $ 29,160,726 | $ 890,678 |

## NOTE 6 – LONG-TERM LIABILITIES (cont.)

### *LONG-TERM OBLIGATION SUMMARY* (cont.)

Long-term obligation activity for the year ended June 30, 2017 is as follows:

| | June 30, 2016 | Additions | Reductions | June 30, 2017 | Due Within One Year |
|---|---|---|---|---|---|
| 2003 Enterprise Fund Installment Sale | $ 5,688,752 | $ - | $ 252,908 | $ 5,435,844 | $ 261,482 |
| 2010 Electric Revenue Bonds | 18,450,000 | - | 495,000 | 17,955,000 | 515,000 |
| Rural economic development loan | - | 400,000 | 16,949 | 383,051 | 40,678 |
| Unamortized premiums | 262,825 | - | 10,605 | 252,220 | - |
| Net pension liability | 2,415,960 | 465,586 | - | 2,881,546 | - |
| Retirement compensation plan | 533,135 | 58,697 | - | 591,832 | - |
| Other postemployment benefits liability | 848,711 | 88,356 | - | 937,067 | - |
| Totals | $ 28,199,383 | $ 1,012,639 | $ 775,462 | $ 28,436,560 | $ 817,160 |

## 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.

## 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:

| | 2018 | 2017 |
|---|---|---|
| Employee Normal Cost Rate [1] | 8.0% | 8.0% |
| Employer Normal Cost Rate | 12.036% | 11.995% |
| *Plus* Annual Lump Sum Prepayment Option | $247,874 | $223,370 |

[1] - Per agreement with the Employees' Association's, 6.4% and 3.32% in 2018 and 2017, 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, 2018 and 2017 are:

| | 2018 | 2017 |
|---|---|---|
| Employee Payroll Deduction | 6.250% | 6.250% |
| Employer Rate | 6.533% | 6.555% |
| Plus Annual Lump Sum Prepayment Option | $231 | - |

The contribution rates for plan members and the District are established, and may be amended by CaIPERS. For the year ending June 30, 2018 and 2017, the District's employer contributions were $555,604 and $569,927, respectively, equal to their required contribution for the year.

## 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, 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.

At June 30, 2017, the District reported a net pension liability of $2,881,546 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 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, 2016, the District's proportion was 0.0829%, which was a decrease of 0.0052% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2018 and 2017, the District recognized pension expense of $681,281 and $360,359, respectively.

At June 30, 2018 and 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Changes in assumptions | $ 555,724 | $ 42,375 | $ - | $ 95,111 |
| Differences between expected and actual experience | 4,478 | 64,168 | 10,053 | 2,304 |
| Net difference between projected and actual earnings on pension plan investments | 125,682 | - | 495,026 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 197,530 | - | 84,280 | - |
| Employer contributions subsequent to the measurement date | 555,604 | - | 569,927 | - |
| Totals | $ 1,439,018 | $ 106,543 | $ 1,159,286 | $ 97,415 |

**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, 2018. $555,604 was reported as contributions made after the measurement date. 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 | |
|---|---|
| 2019 | $ 217,578 |
| 2020 | 397,865 |
| 2021 | 236,045 |
| 2022 | (74,617) |
| Total | $ 776,871 |

***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:

| | 2018 | 2017 |
|---|---|---|
| Actuarial valuation date | June 30, 2016 | June 30, 2015 |
| Measurement date of net pension liability (asset) | June 30, 2017 | June 30, 2016 |
| Actuarial cost method | Entry age | Entry age |
| Asset valuation method | Fair market value | Fair market value |
| Discount rate | 7.15% | 7.65% |
| 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 2.75% until purchasing power protection allowance floor on purchasing power applies, 2.75% 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 date. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the April 2014 experience study report (based on CalPERS demographic data from 1997 to 2011) available online at https://www.calpers.ca.gov/docs/forms-publications/calpers-experience-study-2014.pdf.

## NOTE 7 – RETIREMENT PLANS (cont.)

All other actuarial assumptions used in the June 30, 2016 and 2015 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, 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.

**NOTE 7 – RETIREMENT PLANS** (cont.)

The table below reflects long-term expected real rates of return by asset class as of June 30, 2017. 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 | 51.0% | 5.25% | 5.71% |
| Global Debt Securities | 20.0 | 0.99 | 2.43 |
| Inflation Assets | 6.0 | 0.45 | 3.36 |
| Private Equity | 10.0 | 6.83 | 6.95 |
| Real Estate | 10.0 | 4.50 | 5.13 |
| Infrastructure and Forestland | 2.0 | 4.50 | 5.09 |
| Liquidity | 1.0 | (0.55) | (1.05) |

[3] An expected inflation of 2.50% used for this period.
[4] 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, 2018 and June 30, 2017 was 7.15% and 7.65%, respectfully. To determine whether the municipal bond rate should be used in the calculation of the discount rate for public agency plans, the amortization and smoothing periods recently adopted by the Board were used. For the Plan, the crossover test was performed for a miscellaneous agent rate plan and a safety agent rate plan selected as being more at risk of failing the crossover test and resulting in a discount rate that would be different from the long-term expected rate of return on pension investments. Based on the testing of the rate plans, the tests revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The crossover test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained on CalPERS’ website under the GASB 68 section.

## NOTE 7 – RETIREMENT PLANS (cont.)

***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, 2018 and June 30, 2017 calculated using the discount rate of 7.15% and 7.65%, respectively, 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, 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 |

The sensitivity analysis as of June 30, 2017 follows:

| | 1% Decrease (6.65%) | Current Discount Rate (7.65%) | 1% Increase (8.65%) |
|---|---|---|---|
| District's proportionate share of the net pension liability | $ 4,489,373 | $ 2,881,546 | $ 1,552,757 |

***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-2017.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, 2018 and 2017, the District made total contributions of $9,684 and $9,933, 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)

### *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 CaIPERS.

> 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 Districts 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.

***Benefits provided.*** The District provides healthcare and life insurance benefits for retirees and their dependents. The benefit terms provide for payment of $672.64 per month towards medical, prescription drug, dental and vision care premiums. The dollar amount is effective January 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.

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

***Employees covered by benefit terms.*** At December 31, 2017, the following employees were covered by the benefit terms:

| | |
|---|---|
| Active plan members | 21 |
| Inactive plan members or beneficiaries currently receiving benefit payments | 3 |
| Total Plan Members | **24** |

***TOTAL OPEB LIABILITY***

The District's total OPEB liability of $2,055,561 was measured as of June 30, 2017, and was determined by an actuarial valuation as of June 30, 2016.

***Actuarial assumptions and other inputs.*** The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | |
|---|---|
| Inflation | 2.75 percent |
| Salary increases | Based on assumptions for Public Agency Miscellaneous members used in the June 30, 2016 CalPERS actuarial valuation |
| Healthcare cost trend rates | 6.80% for 2017, gradually decreasing to an ultimate rate of 4.40% in 2075 and later |
| Retirees' share of benefit-related costs | Retirees are required to pay the applicable retiree premiums, less any direct subsidies provided by the District |
| Increases in direct subsidy | Assumed to increase by their actual increases of 1.43% for fiscal year beginning 2016 and 2.75% thereafter. |

The discount rate used of 3.56% was based on the Fidelity 20-Year Municipal GO AA Index.

Mortality rates were based on the 2016 CalPERS Miscellaneous Pre/Post-retirement Non-Industrial Mortality rate table.

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.

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

***Changes in the Total OPEB Liability***

| | Total OPEB Liability |
|---|---|
| **Balances at 6/30/2017** | $ 2,123,744 |
| **Changes for the year:** | |
| Service cost | 85,667 |
| Interest | 63,548 |
| Changes in assumptions or other inputs | (151,206) |
| Benefit payments | (66,192) |
| **Net changes** | (68,183) |
| **Balances at 6/30/2018** | **$ 2,055,561** |

Changes of assumptions and other inputs reflect a change in the discount rate from 2.92 percent in the amount recorded as of June 30, 2017 to 3.56 percent in the amount recorded as of June 30, 2018.

***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 (2.56 percent) or 1-percentage-point higher (4.56 percent) than the current discount rate:

| | 1% Decrease (2.56%) | Discount Rate (3.56%) | 1% Increase (4.56%) |
|---|---|---|---|
| Total OPEB liability | $ 2,299,406 | $ 2,055,561 | $ 1,849,250 |

## NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (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 (5.8 percent decreasing to 3.4 percent) or 1-percentage-point higher (7.8 percent decreasing to 5.4 percent) than the current healthcare cost trend rates:

| | 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%) |
|---|---|---|---|
| Total OPEB liability | $ 1,793,835 | $ 2,055,561 | $ 2,376,054 |

### *OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB*

For the year ended June 30, 2018, the District, recognized OPEB expense of $127,583. At June 30, 2018, 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 |
|---|---|---|
| Changes of assumptions or other inputs | $ - | $ 129,574 |
| Contributions subsequent to the measurement date | 45,610 | - |
| Total | **$ 45,610** | **$ 129,574** |

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: | |
|---|---|
| 2019 | $ (21,632) |
| 2020 | (21,632) |
| 2021 | (21,632) |
| 2022 | (21,632) |
| 2023 | (21,632) |
| Thereafter | (21,414) |

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

### *PRIOR YEAR DISCLOSURES REQUIRED UNDER GASB STATEMENT NO. 45*

#### *FUNDING POLICY*

The contribution requirements of the District are established and may be amended by the District's Board of Directors. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the District. For fiscal year 2017, the District contributed $60,410 to the plan through payment of benefits.

#### *ANNUAL OPEB COST AND NET OPEB OBLIGATION*

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

| | | |
|---|---|---|
| Annual required contribution | $ | 184,660 |
| Interest on net OPEB obligation | | 29,705 |
| Adjustment to annual required contribution | | (46,145) |
| Annual OPEB Cost (Expense) | | 168,220 |
| Contributions made | | (79,864) |
| Increase in Net OPEB Obligation | | 88,356 |
| Net OPEB Obligation – Beginning of the Year | | 848,711 |
| Net OPEB Obligation – End of the Year | $ | 937,067 |

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the preceding years were as follows:

| Fiscal Year Ended | | Annual OPEB Cost | Percentage Of Annual OPEB Cost Contributed | | Net OPEB Obligation |
|---|---|---|---|---|---|
| 6/30/15 | $ | 141,467 | 46.60% | $ | 747,547 |
| 6/30/16 | | 166,578 | 39.30 | | 848,711 |
| 6/30/17 | | 168,220 | 47.50 | | 937,067 |

## NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (cont.)

### *FUNDED STATUS AND FUNDING PROGRESS*

As of June 30, 2016, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability (AAL) for benefits was $1,940,177, and the actuarial value of assets was $0.00, resulting in an unfunded actuarial accrued liability (UAAL) of $1,940,177. The covered payroll (annual payroll of active employees covered by the plan) was $2,636,779, and the ratio of the UAAL to the covered payroll was 73.6%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

### *ACTUARIAL METHODS AND ASSUMPTIONS*

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

In the June 30, 2016 actuarial valuation, the Projected Unit Credit cost method was used. The actuarial assumptions included a 3.5% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 10% initially, reduced by decrements to an ultimate rate of 5.3% after ten years, Both rates included a 2.75% inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level dollar amount over a 30 year open period.

## 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, 2018 and 2017 and for the years then ended is as follows:

| | 2018 | 2017 |
|---|---|---|
| Total assets | $ 1,099,513 | $ 18,372,854 |
| Total deferred outflows of resources | - | 30,455 |
| Total Assets and Deferred Outflows of Resources | $ 1,099,513 | $ 18,403,309 |
| Total liabilities | $ 1,099,513 | $ 18,403,309 |
| Net position | - | - |
| Total Liabilities and Net Position | $ 1,099,513 | $ 18,403,309 |
| ***Revenues and Expenses*** | | |
| Revenues: | | |
| Debt service contributions | $ 225,564 | $ 793,207 |
| Interest income | 8,988 | 4,412 |
| Total Revenues | 234,552 | 797,619 |
| Interest expense | (234,552) | (797,619) |
| **Change in net position** | - | - |
| NET POSITION, Beginning of Year | - | - |
| **NET POSITION, END OF YEAR** | $ - | $ - |
| ***Cash Flows*** | | |
| Net cash used by noncapital financing activities | $ - | $ - |
| Net cash provided by investing activities | 8,988 | 4,412 |
| Net cash (used) / provided by capital and financing activities | (738,139) | - |
| **Net Change in Cash and Cash Equivalents** | (729,151) | 4,412 |
| CASH AND CASH EQUIVALENTS – Beginning of the Year | 1,308,455 | 1,304,043 |
| **CASH AND CASH EQUIVALENTS – END OF THE YEAR** | $ 579,304 | $ 1,308,455 |

## 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 continues to compile evidence that the utility's power lines were not responsible for starting the fire.

## 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.

## 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 | 66,192 |
| Cumulative Effect of a Change in Accounting | $ (1,120,485) |

# 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, 2018

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 |
|---|---|---|---|---|---|
| 6/30/18 | 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, 2018

| 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 |
|---|---|---|---|---|---|
| 6/30/18 | $ 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.

### *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 the discount rate changed from 7.65% to 7.15%.

## TRINITY PUBLIC UTILITIES DISTRICT

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
For the Year Ended June 30, 2018

| | | 2018 |
|---|---|---|
| **Total OPEB Liability** | | |
| Service cost | $ | 85,667 |
| Interest | | 63,548 |
| Changes of benefit terms | | - |
| Differences between expected and actual experience | | - |
| Changes of assumptions | | (151,206) |
| Benefit payments | | (66,192) |
| **Net Change in Total OPEB Liability** | | (68,183) |
| **Total OPEB Liability - Beginning** | | 2,123,744 |
| **Total OPEB Liability - Ending** | $ | 2,055,561 |
| **Covered-employee payroll** | $ | 2,715,441 |
| **Total OPEB liability as a percentage of covered-employee payroll** | | 75.70% |

**Notes to Schedule:**
The District implemented GASB Statement No. 75 in fiscal year 2018. Information from 2009 - 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.* There were no changes in assumptions.

# TRINITY PUBLIC UTILITIES DISTRICT

SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS - UNDER GASB NO. 45
For the Year Ended June 30, 2017

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Unfunded Actuarial Accrued Liability (UAAL) | Funded Ratio | Covered Payroll | UAAL as a Percentage of Covered Payroll |
|---|---|---|---|---|---|---|
| 6/30/16 | $ - | $ 1,940,177 | $ 1,940,177 | 0.00% | $ 2,636,779 | 73.6% |
| 6/30/13 | - | 1,455,067 | 1,455,067 | 0.00% | 2,430,107 | 59.9% |
| 6/30/10 | - | 1,354,605 | 1,354,605 | 0.00% | 1,830,186 | 74.0% |

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

# SUPPLEMENTAL INFORMATION

## TRINITY PUBLIC UTILITIES DISTRICT

SCHEDULE OF REVENUES AND EXPENSES - BUDGET TO ACTUAL
For the Year Ended June 30, 2018

| | Actual on GAAP Basis | Adjustment to Budgetary Basis | Actual on Budgetary Basis | Budget | Variance Favorable (Unfavorable) |
|---|---|---|---|---|---|
| **OPERATING REVENUES** | | | | | |
| Retail sales | $ 9,782,863 | $ 20,697 | $ 9,803,560 | $ 9,896,616 | $ (93,056) |
| Fees and charges | 100,765 | 1,543 | 102,308 | 97,561 | 4,747 |
| Other revenue | 1,343,831 | (176,961) | 1,166,870 | 1,212,001 | (45,131) |
| Total Operating Revenues | 11,227,459 | (154,721) | 11,072,738 | 11,206,178 | (133,440) |
| **OPERATING EXPENSES** | | | | | |
| Power acquisition | 1,519,784 | - | 1,519,784 | 1,923,779 | (403,995) |
| Operations and maintenance | 2,698,988 | 16,814 | 2,715,802 | 2,506,286 | 209,516 |
| Customer accounts | 682,429 | - | 682,429 | 598,388 | 84,041 |
| Administrative and general | 1,589,382 | (255,009) | 1,334,373 | 1,345,562 | (11,189) |
| Depreciation and amortization | 2,001,159 | (2,001,159) | - | - | - |
| Total Operating Expenses | 8,491,742 | (2,239,354) | 6,252,388 | 6,374,015 | (121,627) |
| **OPERATING INCOME** | 2,735,717 | 2,084,633 | 4,820,350 | 4,832,163 | (11,813) |
| **NONOPERATNIG INCOME (EXPENSE)** | | | | | |
| Investment income | 101,771 | 29,566 | 72,205 | 87,880 | (15,675) |
| Other income | (766,948) | (766,948) | - | - | - |
| Interest Expense / Debt service | (1,029,173) | 867,484 | (1,896,657) | (1,740,681) | (155,976) |
| Capital outlay | - | 4,408,380 | (4,408,380) | (5,316,911) | 908,531 |
| Total Nonoperating Income (Expense) | (1,694,350) | 4,538,482 | (6,232,832) | (6,969,712) | 736,880 |
| **CAPITAL CONTRIBUTIONS** | 432,907 | (71,958) | 360,949 | 149,353 | 211,596 |
| **CHANGE IN NET POSITION** | $ 1,474,274 | $ 6,551,157 | $ (1,051,533) | $ (1,988,196) | $ 936,663 |

# TRINITY PUBLIC UTILITIES DISTRICT

SCHEDULE OF REVENUES AND EXPENSES - BUDGET TO ACTUAL
For the Year Ended June 30, 2017

| | Actual on GAAP Basis | Adjustment to Budgetary Basis | Actual on Budgetary Basis | Budget | Variance Favorable (Unfavorable) |
|---|---|---|---|---|---|
| **OPERATING REVENUES** | | | | | |
| Retail sales | $ 9,712,650 | $ (60,141) | $ 9,652,509 | $ 9,063,195 | $ 589,314 |
| Fees and charges | 120,095 | (988) | 119,107 | 104,396 | 14,711 |
| Other revenue | 2,626,201 | (6,924) | 2,619,277 | 2,806,785 | (187,508) |
| Total Operating Revenues | 12,458,946 | (68,053) | 12,390,893 | 11,974,376 | 416,517 |
| **OPERATING EXPENSES** | | | | | |
| Power acquisition | 3,196,486 | - | 3,196,486 | 4,182,077 | (985,591) |
| Operations and maintenance | 2,673,277 | - | 2,673,277 | 2,543,588 | 129,689 |
| Customer accounts | 908,741 | (14,505) | 894,236 | 733,354 | 160,882 |
| Administrative and general | 1,220,683 | 95,387 | 1,316,070 | 1,274,831 | 41,239 |
| Depreciation and amortization | 1,978,873 | (1,978,873) | - | - | - |
| Total Operating Expenses | 9,978,060 | (1,897,991) | 8,080,069 | 8,733,850 | (653,781) |
| **OPERATING INCOME** | 2,480,886 | 1,829,992 | 4,310,878 | 3,240,526 | 1,070,352 |
| **NONOPERATNIG INCOME (EXPENSE)** | | | | | |
| Investment income | 50,806 | 4,444 | 46,362 | 76,204 | (29,842) |
| Other income | - | - | - | - | - |
| Interest Expense / Debt service | (981,976) | 758,650 | (1,740,626) | (1,740,626) | - |
| Capital outlay | - | 1,994,278 | (1,994,278) | (3,342,809) | 1,348,531 |
| Total Nonoperating Income (Expense) | (931,170) | 2,757,372 | (3,688,542) | (5,007,231) | 1,318,689 |
| **CAPITAL CONTRIBUTIONS** | 131,708 | 123,532 | 255,240 | 155,985 | 99,255 |
| **CHANGE IN NET POSITION** | $ 1,681,424 | $ 4,710,896 | $ 877,576 | $ (1,610,720) | $ 2,488,296 |