TUOLUMNE UTILITIES DISTRICT

Annual Financial Report June 30, 2021

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Tuolumne Utilities District

Annual Financial Report

June 30, 2021

Table of Contents

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Independent Auditor’s Report

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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Tuolumne Utilities District
Sonora, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Tuolumne Utilities District (the District), which comprise the statements of net position of the Water Fund and Sewer Fund as of June 30, 2021, and the related statements of revenues, expenses, changes in net position, and cash flows for the year then ended and the related notes to the financial statements, which collectively comprise the District's basic financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

To the Board of Directors
Tuolumne Utilities District

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District's Water Fund and Sewer Fund as of June 30, 2021 and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Other Matters

Required Supplementary Information

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

Richardson & Company, LLP

September 16, 2021

Management's Discussion and Analysis

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Introduction

In this discussion and analysis, management provides an overview of the Tuolumne Utilities District's ("the District") financial position at June 30, 2021 and its financial performance for the year then ended. Condensed financial information from 2020 is also presented for comparison only. Limited information is presented about conditions and events that may affect the District's future financial position and performance. The intent is to provide context for understanding the financial statements and the District's prospects, and assistance interpreting the financial statements. This discussion and analysis present management's perspective and should be read in conjunction with the District's financial statements and accompanying notes which follow this discussion and analysis.

Financial Statements

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

Statement of Net Position

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

Statement of Revenues, Expenses, and Changes in Net Position

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

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

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

Statement of Cash Flows

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

Financial Highlights

Condensed Statements of Net Position
For the Years Ended June 30

	2021	2020	Dollar Change	Percentage Change
Current assets	$ 21,263,444	$ 21,168,054	$ 95,390	0%
Restricted and other noncurrent assets	12,929,756	8,701,023	4,228,733	49%
Capital assets	80,434,700	73,936,498	6,498,202	9%
Deferred outflows of resources	4,133,522	4,278,213	(144,691)	-3%
Total assets and deferred outflows of resources	$ 118,761,422	$ 108,083,788	$ 10,677,634	10%
Current liabilities	$ 2,630,243	$ 2,256,948	$ 373,295	17%
Noncurrent liabilities	25,522,448	25,333,255	189,193	1%
Deferred inflows of resources	1,441,898	2,016,721	(574,823)	-29%
Net position	89,166,833	78,476,864	10,689,969	14%
Total liabilities, deferred inflows of resources, and net position	$ 118,761,422	$ 108,083,788	$ 10,677,634	10%

2021 and 2020 Balance Sheets Compared

Current assets increased by $95 thousand during 2021 mainly due to the intergovernmental receivable from IRWM and the Phoenix Lake project. Within current assets, accounts receivable, property taxes receivable, intergovernmental receivable, prepaid expenses, and inventory all increased from 2020, while cash and investments unrestricted, miscellaneous receivable and interest receivable each decreased. Restricted and other noncurrent assets increased by $4.2 million from 2020 due to noncurrent investments.

The District invested $10.0 million in infrastructure improvements which were offset by depreciation expense of $3.3 million and asset disposals of $173 thousand, for a net increase in the capital assets of $6.5 million.

Total current liabilities increased by $373 thousand. Payroll payable, deposits, deferred revenue, and current portion of compensated absences increased over 2020, while accounts payable, accrued interest payable, and current portion of long-term debt all decreased.

Noncurrent liabilities increased by $189 thousand. The net pension liability and net OPEB liability increased over 2020, while the noncurrent portion of long-term debt and noncurrent portion of compensated absences decreased. Long-term debt decreased due to scheduled principal payments. Net position increased by $10.7 million primarily due to capital contributions. Deferred outflows and inflows of pension and OPEB resources decreased by $145 thousand and $575 thousand, respectively.

Condensed Statements of Changes in Net Position
For the Years Ended June 30

	2021	2020	Dollar Change	Percentage Change
Operating revenues	$ 22,667,434	$ 21,644,642	$ 1,022,792	5%
Nonoperating revenues	1,434,578	2,217,274	(782,696)	-35%
Total revenues	24,102,012	23,861,916	240,096	1%
Operating expenses	20,249,220	20,535,212	(285,992)	-1%
Nonoperating expenses	81,745	103,058	(21,313)	-21%
Total expenses	20,330,965	20,638,270	(307,305)	-1%
Net income before capital contributions	3,771,047	3,223,646	547,401	17%
Capital contributions	6,918,920	1,760,854	5,158,066	293%
Change in net position	10,689,967	4,984,500	5,705,467	114%
Beginning net position	78,476,864	73,492,364	4,984,500	7%
Ending net position	$ 89,166,831	$ 78,476,864	$ 10,689,967	14%

Condensed Statements of Revenues
For the Years Ended June 30

	2021	2020	Dollar Change	Percentage Change
Operating revenues				
Service charges	$ 22,667,434	$ 21,644,642	$ 1,022,792	5%
Total operating revenues	22,667,434	21,644,642	1,022,792	5%
Nonoperating revenues				
Property taxes	1,148,987	1,104,255	44,732	4%
Debt service recovery charges	197,054	304,271	(107,217)	-35%
Intergovernmental revenue	(732)	222,448	(223,180)	-100%
Investment income	(709)	506,372	(507,081)	-100%
Other income	127,520	105,102	22,418	21%
Gain (loss) on disposal of property	(37,542)	(25,174)	(12,368)	49%
Total nonoperating revenues	1,434,578	2,217,274	(782,696)	-35%
Capital contributions	6,918,920	1,760,854	5,158,066	293%
Total revenues	$ 31,020,932	$ 25,622,770	$ 5,398,162	21%

2021 and 2020 Revenues Compared

The comparative statement of revenues shows changes from 2021 to 2020 in the District's revenues, classified into operating, nonoperating, and capital categories. Total revenues increased $5.4 million. Total operating revenues increased $1 million mainly due to increases in consumption and number of connections. Nonoperating revenues decreased $783 thousand. Capital contributions increased by $5.2 million due to IRWM and CDBG grants.

2021 and 2020 Operating Expenses Compared

Condensed Statements of Operating Expenses
For the Years Ended June 30

	2021	2020	Dollar Change	Percentage Change
Personnel	$ 11,274,796	$ 11,715,425	$ (440,629)	-4%
Chemicals & supplies	1,884,950	1,828,290	56,660	3%
Services	867,975	1,012,835	(144,860)	-14%
Repairs	739,972	673,926	66,046	10%
Utilities	496,345	485,855	10,490	2%
General & administrative	1,677,192	1,582,886	94,306	6%
Depreciation	3,307,990	3,235,995	71,995	2%
Total operating expenses	$ 20,249,220	$ 20,535,212	$ (285,992)	-1%

2021 and 2020 Nonoperating Expense Compared

Nonoperating expense consists of interest expense, which was $82 thousand and $103 thousand for 2021 and 2020, respectively, a decrease of approximately $21 thousand.

Capital Assets and Debt Administration

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

2021 and 2020 Capital Assets Compared

Net capital assets totaled $80.4 million at June 30, 2021 and increased $6.5 million from the previous year due to additions of approximately $10.2 million, net of depreciation of $3.3 million. See Note 3 to the basic financial statements.

2021 and 2020 Long-term Debt Compared

At June 30, 2021 there was $2.4 million of long-term debt outstanding which decreased by approximately $346 thousand from 2020 due to maturities of existing debt. See Note 4 to the basic financial statements.

Infrastructure Improvements 2021

CUESTA HEIGHTS PROJECT – Phases 3&4 of a multi-year project to consolidate three water tanks into one 600,000-gallon treated water storage tank. One new pump station has been constructed and is operational, while a second pumping facility is currently in construction. The project will eventually allow for the abandonment of the 420K, Racetrack, and Shaws Flat pump stations resulting in improved system reliability and fire flow.

CRYSTAL FALLS TECHITE PIPELINE REPLACEMENT – This project is to replace 9,000 lineal feet of Techite Pipeline from the Crystal Falls Water Treatment Plant down to Rhine Court. This project is anticipated to be phased in three fiscal years: 2021, 2022, 2024 and ending in 2025.

WILLOW SPRINGS WATER DISTRIBUTION IMPROVEMENTS - The water distribution system within the Willow Springs area is constructed primarily of old, undersized, galvanized steel pipe with a high rate of failure. This project, implemented by the District's own forces, involved replacing over 6,000 linear feet of galvanized pipe with new PVC water mains appropriately sized to deliver fire flow. In addition to replacing water mains, new water service laterals and meter assemblies were installed.

APPLE VALLEY SEWER LIFT STATION – District forces reconstructed a lift station serving the Apple Valley Estates area. The old facility had surface mounted pumps that were susceptible to occasional flooding from adjacent Chicken Creek. The project involved site and drainage improvements to alleviate future flooding. The new facility includes new sumps, pumps, controls, standby generator, and a new building.

ZELINSKY TANK AND PUMP STATION CONSOLIDATION – The District abandoned this tank and improved the Eden Lane Booster Station to a constant pressure system equipped with a backup generator, constructed a new 4" diameter C-900 mainline from the Eden Lane Booster Station up to Zelinsky Court and tied in the four hilltop customers.

UPPER COLUMBIA JUNIOR COLLEGE SEWER LIFT STATION – District forces reconstructed a lift station serving Columba Junior College. The old facility had a single corroded sump and outdated valving, electrical, and controls. The new lift station includes new primary and overflow sumps resulting in improved reliability and performance.

RIDDLE TANK AND BOOSTER STATION CONSOLIDATION – The scope of this project was to eliminate the Riddle Tank and Hydro Station by constructing an intertie with the adjacent Mi Wuk Mutual Water Company. The project ensured adequate, reliable storage and supply to TUD customers in the Sugar Pine Distribution System through strategically placed Pressure Reducing Stations and various piping improvements. In addition to the tank abandonment, the introduction of a higher system pressure with the interconnection from Mi Wuk Mutual supported the removal of the hydro-pneumatic station while also increasing fire flow to the four hydrants within the boundary of the newly established pressure zone. This Hydro Station which serves only seven customers, is antiquated and unreliable. Without the installation of a stand-by generator, this station could not supply water during power interruptions. The construction of this intertie with the Mi Wuk Mutual Water Company creates redundancy and opens the possibilities for future consolidation.

NIKKI COURT SEWER LIFT STATION – The Nikki Court Sewer Lift Station in Sonora had issues with its overflow sump. The sump lid was a metal grate which was unsafe to walk on and it allowed rainwater to fill the sump during winter. The sump was constructed of concrete barrels which also leaked during the winter months. The discharge pipe was above ground and exposed to the elements. The project involved installing a new sump lid, sealing the inside of the sump, moving the discharge piping and check valve underground, and installing a new guide rail system.

Infrastructure Improvements Currently Under Construction 2022

PHOENIX LAKE PRESERVATION AND RESTORATION – The project involves dredging Phoenix Lake to restore up to 150 acre-feet of storage capacity, while improving water quality. Construction is underway with completion slated for October 2021. Roughly 85% of the total cost of approximately $6 million is being funded by grants from Proposition 84.

SONORA REGIONAL WASTEWATER TREATMENT PLANT IMPROVEMENTS – The District has secured funding to undertake a wholesale reconstruction of its Sonora Regional Wastewater Treatment Facility. The current facility was constructed in the mid 1970's and has reached the end of its useful life. State regulators have put TUD on notice that they plan to issue new permit requirements that will obligate TUD to improve the treatment processes. Additionally, TUD forecasts a need to expand use of recycled water in the local area. The project is scheduled to begin construction in Fall 2021. The new facility will include new headworks, extended aeration activated sludge process, secondary clarification, tertiary filtration, chlorine disinfection, and solids digestion and dewatering facilities. The new facility should become operational in late 2023.

SIERRA PINES WATER TREATMENT FACILITY – The District has completed preliminary design on a new regional water treatment facility to be constructed on District owned property at Sierra Pines. Phase 1 of the project will involve constructing a treatment facility capable of producing 3 million gallons per day and will enable the district to abandon and consolidate existing treatment facilities serving Cedar Ridge, Crystal Falls, Lakewood, Phoenix Lake Park, Ponderosa Hills, and Scenic View Estates areas. The District completed CEQA review in April 2021 and will finish NEPA compliance for the project in Fall 2021. The District will continue to seek grant and loan financing for the project. Until funding is secured, there is no schedule for completing design and beginning construction.

CUESTA HEIGHTS PROJECT – Work is a continuation of work from FY21. Crews are currently in the process of constructing two new pressure reducing stations and one new pump station that will allow for the eventual abandonment and dismantling of the Saratoga Tank, 420K Tank, Saratoga Pump Station, Shaws Flat Pump Station, and 420K Transfer Pump Station. Work shall be completed by Summer 2022.

COLUMBIA INTERCEPTOR LINING – In FY22, the district will continue to line the approximately 10,000 lineal feet of remaining pipe until the asset is completely rehabilitated. The size of the yearly project will be based on a year-to-year analysis.

MATELOT PIPELINE – This project is currently in construction and involves installing approximately 1,700 linear feet of new 14-inch diameter pipeline to connect the existing Matelot Reservoir directly to the Columbia WTP. The improvement will increase operational efficiencies and provide a higher quality water supply to the treatment plant. Construction is to be completed by the end of 2021.

PHOENIX LAKE DAM AND SPILLWAY IMPROVEMENTS – The Phoenix Lake Dam and Spillway Improvements project addresses years of deferred maintenance and is required by the Division of Safety of Dams. This project will entail striping and replacing the existing shotcrete surface to implement a pressure grouting technique to address the propagation cracking taking place on the spillway crest. Additionally, vegetation will be removed on the dam face and slopes will be stabilized. Construction should be completed by the end of FY22.

CRYSTAL FALLS TECHITE PIPELINE REPLACEMENT – This is the second phase of a project to replace all 9,000 lineal feet of Techite Pipeline from the Crystal Falls Water Treatment Plant down to Rhine Court. This phase involves replacing 3,992 linear feet of pipeline with new 12-inch diameter pipeline. The project will improve pipeline reliability and water service reliability to thousands of downstream customers. Construction is expected to begin in Fall 2021 and be completed by Summer 2022.

CROSSROADS SEWER LIFT STATION ABANDONMENT – This project involves abandoning the aging Crossroads Sewer Lift Station by redirecting sewer flows into a new pipeline that is bored and jacked under State Route 108 and connected to the district's existing sewer collection system serving the Tuolumne County Law and Justice Center. The elimination of the existing lift station will save on-going and future O&M expenses and will allow for the reallocation of labor to other areas in the system. Construction is to begin in Fall 2021 and be completed by Spring 2022.

MILL VILLA SEWER LIFT STATION REHABILITATION – The Mill Villa Sewer Lift Station is currently served by two pumps that have reached their useful lives. In addition, the primary sump is in poor condition and the standby generator needs to be replaced. The project will involve site work to improve access, install a new sump, pumps, and a generator. Construction is to be undertaken by TUD crews and will begin in early 2022.

Other Future Considerations

Tuolumne Utilities District (TUD) continues managing its critical operations and fulfilling its mission amidst the pandemic crisis affecting every industry and across the world, widespread public safety power shutoff events and extreme wildfire risk in the state. We don't have a choice in the matter of course – water is the lifeblood of the community. A community is only as good as the reliability and security of its water source, and the TUD Board of Directors in partnership with its staff and community partners is committed to ensuring water and wastewater services to support a thriving community now and in the future. This commitment is reflected in the fiscal year 2021-2022 budget, its capital improvement plan and priority projects including a once-in-a-lifetime opportunity to acquire senior water rights for the county and others summarized below.

TUD's predecessor agencies, Tuolumne Regional Water District and Tuolumne Water Systems had two important initiatives, 1- to acquire water rights and 2- make operations and maintenance more efficient.

TUD was formed in 1992 by voter referendum to merge TRWD and TWS. Now after more than 100 years, TUD and Tuolumne County have likely the last opportunity to finally acquire valuable senior, pre-1914 water rights from Pacific Gas & Electric Co. and has entered into exclusive negotiations with PG&E to translate this opportunity to reality. A Purchase and Sales Agreement (PSA) is scheduled to be completed by summer of 2022 with the final closing on the acquisition by the end of 2024. It is estimated that TUD will spend $500,000 in this time frame.

Once again, the State of California finds itself in another extreme fire season and another period of drought. Coupled with the on-going threat of PG&E's Public Safety Power Shutoff events, providing reliable water and sewer service gets very challenging. Over the last several years the TUD has invested thousands of dollars to enhance the backup generation capabilities and have an action plan to be ready to respond rapidly to these events. By no means can the district completely mitigate the impact of these power interruptions, however all of the critical facilities and much of the ancillary stations are outfitted with some equipment to bridge the gap between power outages.

As the entire State of California is experiencing drought conditions, the district encourages its customers to use water wisely and efficiently. Governor Newsom issued an Executive Order N-10-21 on July 8, 2021, asking for all Californians to voluntarily reduce their water use by 15 percent from their 2020 levels. Although the District and the local region will fall short of the Governor's Executive Order, it is important to note that TUD customers are using approximately 19% less water compared to 2013. TUD customer water use has not rebounded to the 2013 levels, preceding the 2014-2015 drought period. As outlined in the 2020 Urban Water Management Plan and established under the Water Conservation Act of 2009, customers are using an annual rate of 139 Gallons per Capita per Day (GPCD) through 2020. This is 15% below the 165 GPCD target established under the guidelines of the Department of Water Resources (DWR) in 2010.

The district's 5-year capital improvement plan (CIP) prioritizes projects that maximize efficiency and offer multiple benefits such as the consolidation of water treatment plants, water storage tanks, water booster pumps stations. One high-priority project outlined in the district's CIP is the Sonora Regional Wastewater Treatment Plant (SRWWTP) replacement project. The existing SRWWTP is approaching 50 years of service and while it has undergone several process upgrades over the decades, the facility needs to be replaced. The SRWWTP is regulated under a permit issued by the Regional Water Quality Control Board (RWQCB) from 1994. RWQCB staff have indicated a new permit is forthcoming. The new Sonora Regional Wastewater Treatment Facility (SWWTF) replacement project will construct a new wastewater treatment facility capable of processing average daily flows of 2 million gallons per day of wastewater and produce effluent that meets or exceeds the standards set-forth in the current California Title 22 Standards for Disinfected Tertiary Treated (MPN- 2.2) water. Specific improvements include a new septage receiving facility, new headworks screening and grit removal system, secondary treatment process consisting of extended aeration, secondary clarification, tertiary filtration, disinfection, an emergency storage basin, rehabilitation and conversion of existing secondary anaerobic digester vessels to aerobic digesters, new sludge screw press for solids dewatering, along with emergency standby power, and a new administrative/operations building. The TUD Board of Directors unanimously approved to accept a funding package from the USDA that includes $8.5 million in grants and nearly $25 million in low interest loans to fund this critical project to mitigate the financial burden of ratepayers.

Lastly, TUD remains committed to the health and safety of its most valuable asset - its employees. This year continued to be more challenging than ever to keep this commitment as the global pandemic continues and the guidelines and mandates are ever evolving. Accomplishing the district's priorities identified above requires the retention and recruitment of top talent committed to safety energetically working toward implementation of these priorities and to carry forth the Board's goal of operating the district in a financially sustainable manner. This budget supports a balanced path forward toward these goals. Though it will take years, and successive budgets that focus on infrastructure investment, strategic partnerships and projects with multiple benefits, along with the building of reserves to meet future infrastructure costs, the Board of Directors' strong vision in this regard will serve as a guide to staff and a commitment to our customers to operate the district in a financially responsible manner to deliver high-quality, reliable water and wastewater services at a fair value.

Requests for Information

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

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Basic Financial Statements

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Tuolumne Utilities District
Statements of Net Position - Proprietary Funds
June 30, 2021

	Water	Sewer	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
CURRENT ASSETS			
Cash and cash equivalents unrestricted	$ 2,028,560	$ 8,469,290	$ 10,497,850
Accounts receivable	3,899,809	1,458,154	5,357,963
Property taxes receivable	50,091	33,340	83,431
Intergovernmental receivable	4,748,177	-	4,748,177
Miscellaneous receivable	3,766	23,742	27,508
Interest receivable	17,686	7,580	25,266
Prepaid expenses	130,439	55,903	186,342
Inventory	235,835	101,072	336,907
Total Current Assets	11,114,363	10,149,081	21,263,444
NONCURRENT ASSETS			
Restricted and Other Noncurrent Assets			
Cash and cash equivalents restricted	453,758	7,668,949	8,122,707
Investments	979,594	3,681,993	4,661,587
Assessments receivable	-	145,462	145,462
Total Restricted and Other Noncurrent Assets	1,433,352	11,496,404	12,929,756
Capital Assets			
Non-depreciable	10,044,681	4,345,711	14,390,392
Depreciable, net of accumulated depreciation	45,923,981	20,120,327	66,044,308
Total Capital Assets	55,968,662	24,466,038	80,434,700
Total Noncurrent Assets	57,402,014	35,962,442	93,364,456
TOTAL ASSETS	68,516,377	46,111,523	114,627,900
DEFERRED OUTFLOWS OF RESOURCES			
Pension plan	1,897,046	813,020	2,710,066
OPEB plan	996,419	427,037	1,423,456
Total Deferred Outflows of Resources	2,893,465	1,240,057	4,133,522
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 71,409,842	$ 47,351,580	$ 118,761,422
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
CURRENT LIABILITIES			
Accounts payable	$ 349,046	$ 93,185	$ 442,231
Payroll payable	366,718	137,461	504,179
Deposits payable	372,052	67,816	439,868
Deferred revenue	208,041	89,161	297,202
Accrued interest payable	10,790	-	10,790
Current portion of compensated absences	574,920	246,394	821,314
Current portion of long-term debt	114,659	-	114,659
Total Current Liabilities	1,996,226	634,017	2,630,243
NONCURRENT LIABILITIES			
Long-term debt	2,329,881	25,097	2,354,978
Compensated absences	476,603	204,259	680,862
Net pension liability	9,792,119	4,196,623	13,988,742
Net OPEB liability	5,948,506	2,549,360	8,497,866
Total Noncurrent Liabilities	18,547,109	6,975,339	25,522,448
TOTAL LIABILITIES	20,543,335	7,609,356	28,152,691
DEFERRED INFLOWS OF RESOURCES			
Pension plan	330,501	141,643	472,144
OPEB plan	678,828	290,926	969,754
Total Deferred Inflows of Resources	1,009,329	432,569	1,441,898
NET POSITION			
Net investment in capital assets	53,524,122	24,440,941	77,965,063
Restricted for capital	216,530	7,668,949	7,885,479
Restricted for debt service	237,228	-	237,228
Unrestricted	(4,120,702)	7,199,765	3,079,063
TOTAL NET POSITION	49,857,178	39,309,655	89,166,833
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 71,409,842	$ 47,351,580	$ 118,761,422

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

Tuolumne Utilities District
Statements of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2021

	Water	Sewer	Total
OPERATING REVENUES			
Service charges	$ 15,934,706	$ 6,732,728	$ 22,667,434
Total Operating Revenues	15,934,706	6,732,728	22,667,434
OPERATING EXPENSES			
Personnel	8,311,030	2,963,766	11,274,796
Chemicals & supplies	1,368,418	516,532	1,884,950
Services	520,431	347,544	867,975
Repairs	575,297	164,675	739,972
Utilities	333,074	163,271	496,345
General & administrative	1,196,688	480,504	1,677,192
Depreciation	2,182,378	1,125,612	3,307,990
Total Operating Expenses	14,487,316	5,761,904	20,249,220
Net Income From Operations	1,447,390	970,824	2,418,214
NONOPERATING REVENUES (EXPENSES)			
Property taxes	860,934	288,053	1,148,987
Debt service recovery charges	197,054	-	197,054
Investment income	(93)	(614)	(707)
Other income	112,008	14,780	126,788
Gain (loss) on capital assets	(10)	(37,532)	(37,542)
Interest expense	(72,017)	(9,728)	(81,745)
Total Nonoperating Revenues (Expenses)	1,097,876	254,959	1,352,835
Net Income Before Capital Contributions	2,545,266	1,225,783	3,771,049
CAPITAL CONTRIBUTIONS			
Capital grants	5,845,312	-	5,845,312
Contributed capital	105,215	276,200	381,415
Facilities capital charges	403,883	288,310	692,193
Total Capital Contributions	6,354,410	564,510	6,918,920
Change in Net Position	8,899,676	1,790,293	10,689,969
Net Position, Beginning of Year	40,957,502	37,519,362	78,476,864
Net Position, End of Year	$ 49,857,178	$ 39,309,655	$ 89,166,833

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

Tuolumne Utilities District
Statements of Cash Flows
For the Year Ended June 30, 2021

	Water	Sewer	Total
OPERATING ACTIVITIES			
Receipts from customers and users	$ 15,714,060	$ 6,694,576	$ 22,408,636
Payments to employees and benefit providers	(8,053,294)	(2,846,033)	(10,899,327)
Payments to suppliers for goods and services	(3,786,801)	(1,814,201)	(5,601,002)
Cash Provided by Operating Activities	3,873,965	2,034,342	5,908,307
NONCAPITAL FINANCING ACTIVITIES			
Property taxes and assessments received	811,601	335,333	1,146,934
Receipts from customers for debt recovery	197,054	-	197,054
Other income	112,008	15,512	127,520
Receipts from other governments	-	59,252	59,252
Cash Provided by Noncapital Financing Activities	1,120,663	410,097	1,530,760
CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(7,748,134)	(1,849,611)	(9,597,745)
Principal paid on long-term debt	(236,455)	(276,880)	(513,335)
Receipts from other governments - capital grants	1,951,791	89,161	2,040,952
Receipts from customers and users - facility fees	403,883	288,310	692,193
Interest paid on long-term debt	(74,412)	(14,527)	(88,939)
Cash (Used) by Capital and Related Financing Activities	(5,703,327)	(1,763,547)	(7,466,874)
INVESTING ACTIVITIES			
Purchase of investments	(987,141)	(3,710,360)	(4,697,501)
Investment earnings received	41,789	42,468	84,257
Cash (Used) Provided by Investing Activities	(945,352)	(3,667,892)	(4,613,244)
Net Increase in Cash and Cash Equivalents	(1,654,051)	(2,987,000)	(4,641,051)
Cash and Cash Equivalents, Beginning of Year	4,136,369	19,125,239	23,261,608
Cash and Cash Equivalents, End of Year	$ 2,482,318	$ 16,138,239	$ 18,620,557
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION			
Cash and cash equivalents unrestricted	$ 2,028,560	$ 8,469,290	$ 10,497,850
Cash and cash equivalents restricted	453,758	7,668,949	8,122,707
Total cash and cash equivalents	$ 2,482,318	$ 16,138,239	$ 18,620,557
RECONCILATION OF NET INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Net Income (Loss) From Operations	$ 1,447,390	$ 970,824	$ 2,418,214
Depreciation	2,182,378	1,125,612	3,307,990
Loss on abandoned projects	127,854	7,572	135,426
Change in deferred outflows	101,284	43,407	144,691
Change in net pension liability	506,531	217,085	723,616
Change in net OPEB liability	32,854	14,081	46,935
Change in deferred inflows	(402,375)	(172,448)	(574,823)
(Increase) decrease in operating assets			
Accounts receivable	(296,252)	(78,105)	(374,357)
Miscellaneous receivables	51,297	43,600	94,897
Prepaid expenses	(6,723)	(2,882)	(9,605)
Inventory	(13,959)	(5,982)	(19,941)
(Increase) decrease in operating liabilities			
Accounts payable	99,935	(140,383)	(40,448)
Payroll payable	14,690	13,571	28,261
Deposits payable	24,309	(3,647)	20,662
Compensated absences	4,752	2,037	6,789
Net Cash Provided by Operating Activities	$ 3,873,965	$ 2,034,342	$ 5,908,307
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES			
Donated infrastructure	$ 105,215	$ 276,200	$ 381,415
Change in fair value of investments	$ (7,547)	$ (28,367)	$ (35,914)

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

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Notes to the Basic Financial Statements

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Notes to the Basic Financial Statements

NOTE 1 – Summary of Significant Accounting Policies

A. Reporting Entity

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

The majority of TUD's customers reside in or near the community of Sonora, California and several other surrounding communities. The District is a water and wastewater utility that has 587 raw water connections, 14,105 water connections and 6,184 wastewater connections. Approximately 95% of the water the District distributes originates from the South Fork Stanislaus River and is impounded in Pacific Gas and Electric Company's (PG&E) Lyons and Pinecrest Reservoirs and the other 5% of water is supplied through wells. The District owns and operates a total of 72 miles of ditch, flume, pipe, and tunnel infrastructure that diverts water from the PG&E system at various locations. The District operates 11 permitted water systems including 3 groundwater systems, 15 water treatment plants, 78 treated water storage tanks and reservoirs, 51 booster stations and stores water at Phoenix Lake. There are approximately 50 wells in varying states of activity. The District operates and maintains 140 miles of sewer collection system, 30 sewer lift stations collecting approximately 1.3 million gallons of wastewater each day and sent for treatment to the Sonora Regional Wastewater Treatment Plant.

B. Basis of Accounting

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

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

C. Cash and Cash Equivalents

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

D. Restricted Assets

The use of some assets can be restricted to certain purposes by law, by grantors of the assets, by legislative acts of the Board of Directors, or by contracts to which the District is a party. When the District has a choice to use either restricted or unrestricted funds the District's policy is normally to use restricted funds first. The District's restricted assets are cash and cash equivalents held for future debt service payments and unspent capacity fees collected for capital improvements.

E. Receivables

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

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

F. Inventory

Inventories are valued at the lower of cost and net realizable value based upon physical determinations made at the end of each year. Inventories are assumed to be consumed on the "last in, first out" basis.

G. Prepaid expenses

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

H. Capital Assets

Property, plant, equipment and infrastructure are reported at historical cost. If the individual cost is less than $5,000 or the estimated useful life is less than five years, then the cost is reported as an expense rather than as a capital asset. A new capitalization threshold of $50,000 was approved in June 2020 that was effective July 1, 2020. The donated property and assets constructed by developers are recorded at acquisition value at the date of donation. Depreciation is provided using the straight-line method for assets other than land. Estimated useful lives as are follows:

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

I. Compensated Absences

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

Notes to the Basic Financial Statements

J. Use of Estimates

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

K. Deferred Outflows and Inflows of Resources

Deferred outflows of resources represent a consumption of net position by the government that is applicable to a future reporting period. *Deferred inflows of resources* represent an acquisition of net position that is applicable to a future reporting period. These amounts will not be recognized as an outflow of resources (expense) or an inflow of resources (revenue) until the earnings process is complete. Deferred outflows and inflows of resources include amounts deferred related to the District's pension plans under GASB 68 as described in Note 7 and other postemployment benefits under GASB 75 in Note 8.

L. Pension Plan

For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to the pension plan, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

M. Other Postemployment Benefits (OPEB) Plan

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

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

Valuation Date	June 30, 2021
Measurement Date	June 30, 2020
Measurement Period	July 1, 2019 to June 30, 2020

Notes to the Basic Financial Statements

NOTE 2 – Cash and Investments

A. Classification

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

Cash and investments are reported in the financial statements as follows:	
Statement of Net Position	
Cash and cash equivalents	$ 10,497,850
Restricted cash and cash equivalents	8,122,707
Investments	4,661,587
Total cash and investments	$ 23,282,144

Cash and investments as of June 30, 2021 consist of the following:	
Cash on hand	$ 425
Deposits with financial institutions	928,774
Held by bond trustee:	
Deposits with financial institutions	152,956
Total cash	1,082,155
Local Agency Investment Fund (LAIF)	17,175,344
US Treasury Securities	1,902,589
Corporate Bonds	1,197,329
US Agency Securities	1,004,237
Money Market Fund	297,952
Supranational	297,655
Asset-backed Securities	159,784
Negotiable CD	99,993
Held by bond trustee:	
Money Market mutual funds	65,106
Total cash and investments	22,199,989
	$ 23,282,144

B. Investment Policy

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

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

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

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

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

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

C. Investments Authorized by Debt Agreements

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

D. Interest Rate Risk and Credit Risk

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

Investment Type	<1 YR	1-3 YRS	3-5 YRS	Total
Money market mutual funds	$ 65,106	$ -	$ -	$ 65,106
Local Agency Investment Fund	17,175,344	-	-	17,175,344
US Treasury Securities	-	208,898	1,693,690	1,902,589
Corporate Bonds	-	822,546	374,783	1,197,329
US Agency Securities	-	411,350	592,886	1,004,237
Money Market Fund	297,952	-	-	297,952
Supranational	-	-	297,655	297,655
Asset Backed Securities	-	-	159,784	159,784
Negotiable CD	99,993	-	-	99,993
Total cash and investments	$ 17,638,395	$ 1,442,794	$ 3,118,798	$ 22,199,989

Credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligations. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating by Standard & Poor's required by the California Government Code or the District's investment policy and the actual rating as of June 30, 2021 for each investment type:

Investment Type	Ratings as of Year End AAA	A+	F-1+	Not Rated	Total
Money market mutual funds	$ 65,106	$ -	$ -	$ -	$ 65,106
Local Agency Investment Fund	-	-	-	$ 17,175,344	17,175,344
US Treasury Securities	1,902,589	-	-	-	1,902,589
Corporate Bonds	-	1,197,329	-	-	1,197,329
US Agency Securities	1,004,237	-	-	-	1,004,237
Money Market Fund	297,952	-	-	-	297,952
Supranational	297,655	-	-	-	297,655
Asset Backed Securities	159,784	-	-	-	159,784
Negotiable CD	-	-	99,993	-	99,993
Total investments	$ 3,727,324	$ 1,197,329	$ 99,993	$ 17,175,344	$ 22,199,989

Concentration of Credit Risk

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

E. Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must

equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

At June 30, 2021, the carrying amounts of the District's deposits were $1,081,730 and the balances in financial institutions were $1,119,174. Of the balance in financial institutions, $402,956 was covered by federal depository insurance and $716,218 was collateralized as required by State law (Government Code Section 53630), by the pledging financial institution with assets held in a common pool for the District and other governmental agencies, but not in the name of the District.

F. California Local Agency Investment Fund

LAIF is stated at amortized cost, which approximates fair value. The LAIF is a special fund of the California State Treasury through which local governments may pool investments. The total fair value amount invested by all public agencies in LAIF is $193,321,015,759 managed by the State Treasurer. Of that amount, 2.31% is invested in structured notes and asset-back securities. No amounts were invested in derivative financial products. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. There are no restrictions or limitations on withdrawals from LAIF.

G. Fair Value Hierarchy

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observer inputs; Level 3 inputs are significant unobservable inputs. The District has the following recurring fair value measurements as of June 30, 2021:

Investment Type	Totals	Level 1	Level 2	Level 3
Money market mutual funds	$ 65,106	$ -	$ 65,106	$ -
Local Agency Investment Fund	17,175,344	-	17,175,344	-
US Treasury Securities	1,902,589	-	1,902,589	-
Corporate Bonds	1,197,329	-	1,197,329	-
US Agency Securities	1,004,237	-	1,004,237	-
Money Market Fund	297,952	-	297,952	-
Supranational	297,655	-	297,655	-
Asset Backed Securities	159,784	-	159,784	-
Negotiable CD	99,993	-	99,993	-
Total Investments	$22,199,989	$ -	$22,199,989	$ -

Local Agency Investment Funds, U.S. Agency Securities, Corporate Notes Certificates of Deposit and Money Market Mutual Funds classified in Level 2 of the fair value hierarchy are valued using institutional bond quotes or specified fair value factors. The fair values of certificates of deposit are estimated using a discounted cash flow calculation that applies interest rates currently being offered on the certificates to a schedule of aggregated contractual maturities on such time deposits, which are level 2 inputs.

NOTE 3 – Capital Assets

Changes in capital assets accounts for the year ended June 30, 2021 are summarized below:

	Balance July 1, 2020	Additions	Disposals	Transfers	Balance June 30, 2021
Capital assets, not being depreciated:					
Land	$ 5,135,163	$ -	$ -	$ -	$ 5,135,163
Construction in progress	4,384,097	9,193,790	(135,428)	(4,187,230)	9,255,229
Total capital assets, not being depreciated	9,519,260	9,193,790	(135,428)	(4,187,230)	14,390,392
Capital assets, being depreciated					
Water utility system - infrastructure	75,790,125	105,215	(3,732,873)	3,483,857	75,646,323
Sewer utility system - infrastructure	42,153,448	276,200	(1,349,783)	703,373	41,783,239
Buildings - administration	3,984,526	-	(62,034)	-	3,922,491
Equipment and machinery	8,451,130	403,955	(1,391,745)	-	7,463,340
Total capital assets, being depreciated	130,379,227	785,370	(6,536,436)	4,187,230	128,815,392
Accumulated depreciation					
Water utility system - infrastructure	(34,661,211)	(1,799,578)	3,737,984	-	(32,722,805)
Sewer utility system - infrastructure	(23,915,494)	(875,661)	1,307,133	-	(23,484,022)
Buildings - administration	(1,932,516)	(123,041)	62,034	-	(1,993,523)
Equipment and machinery	(5,452,767)	(509,709)	1,391,742	-	(4,570,733)
Total accumulated depreciation	(65,961,989)	(3,307,990)	6,498,893	-	(62,771,084)
Capital assets, being depreciated, net	64,417,238	(2,522,619)	(37,543)	4,187,230	66,044,308
Total capital assets, net	$ 73,936,498	$ 6,671,171	$ (172,970)	$ -	$ 80,434,700

NOTE 4 – Long-Term Debt

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

A. Required disclosure of long-term debt activity

	Balance July 1, 2020	Additions	Retirements	Balance June 30, 2021	Current Portion
Special Assessment Bonds					
1984 Clean Water Assessment District	$ 80,097	$ -	$ (55,000)	$ 25,097	$ -
Certificates of Participation					
1991 COP	580,000	-	(39,000)	541,000	41,000
Loans Payable					
2007 LaSalle	221,880	-	(221,880)	0	-
2005 SDWSRF - Railbed	11,028	-	(2,451)	8,577	1,225
1996 SDWR - 53314 Valle Vista	3,024	-	(3,024)	0	-
1991 SDWR - 58224	8,044	-	(8,044)	(0)	-
2008 SDWSRF - 06CX405	317,586	-	(16,715)	300,871	8,358
2011 SDWSRF - 10CX110	751,734	-	(52,524)	699,210	26,717
2012 SDWSRF - 2011CX102	937,450	-	(52,979)	884,471	26,948
2017 Wells Fargo	72,129	-	(61,718)	10,411	10,411
Total Long-Term Debt	$ 2,982,972	$ -	$ (513,335)	$ 2,469,637	$ 114,659

B. Description of individual long-term debt issues outstanding

1984 Clean Water Assessment Bonds

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

1991 Certificates of Participation (COP)

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

An invested deposit in the amount of $74,035 is held on behalf of the District by the Trustee.

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

2007 LaSalle Loan

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

Should the District fail to make the required payments or meet the covenants in the Installment Sale Agreement, all remaining principal and interest will become due and payable immediately. In the event of default, seller shall also have the right to apply to require the District to charge and collect rates for service sufficient to meet all requirements of this agreement.

2005 SDWSRF Loan

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

Delinquent interest charges shall accrue at the rate of one tenth of one percent (0.1%) per day. Should the District fail to make the required payments or meet the covenants in the agreement with the State, all remaining principal and interest payments will become due and payable immediately.

1996 SDWR Loan

In 1996, the District entered into a Loan Agreement with the California State Department of Water Resources for the design and construction of a treated water distribution system. The Agreement is secured by real and personal property. The loan is paid semi-annually in installments of $3,076 which includes interest at 3.46%, maturing on October 1, 2021. Should the District fail to make the required payments or meet the covenants in the agreement with the State all remaining principal and interest payments will become due and payable immediately.

1991 SDWR Loan

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

2008 SDWSRF Loan

In 2008, the District entered into a Revolving Fund Agreement with the California State Department of Water Resources, State Revolving Fund for the design and construction of a water treatment plant. The Agreement includes a covenant to establish rates and changes in amounts enough to generate net income equal to 1.1 times that of debt service on all obligations until the loan is repaid in full. The Agreement pledged water fund revenues. The zero-interest rate loan is paid semi-annually in principal installments of $8,358 for a period of 30 years, maturing on July 1, 2039. Delinquent interest charges shall accrue at the rate of one tenth of one percent (0.1%) per day. Should the District fail to make the required payments or meet the covenants in the agreement with the State all remaining principal and interest payments will become due and payable immediately.

2011 SDWSRF Loan

In 2011, the District entered into a Revolving Fund Agreement with the California State Department of Public Health, Safe Drinking Water State Revolving Fund for Monte Grande water improvements. The Agreement pledged water fund revenues. The loan is paid semi-annually in installments of $34,788 which includes interest at 2.3086% for a period of 20 years, maturing on January 1, 2033. Delinquent interest charges shall accrue at the rate of one tenth of one percent (0.1%) per day. Should the District fail to make the required payments or meet the covenants in the agreement with the State all remaining principal and interest payments will become due and payable immediately.

2012 SDWSRF Loan

In 2012, the District entered into a Revolving Fund Agreement with the California State Department of Public Health, Safe Drinking Water State Revolving Fund for Crystal Falls/Willow Springs water improvements. The Agreement includes a covenant to establish rates and changes in amounts sufficient to generate net income equal to 1.2 times that of debt service on all obligations until the loan is repaid in full. The Agreement pledged water fund revenues. The loan is paid semi-annually in installments of $37,135 which includes interest at 2.3035% for a period of 20 years, maturing on July 1, 2035. Delinquent interest charges shall accrue at the rate of one tenth of one percent (0.1%) per day. Should the District fail to make the required payments or meet the covenants in the agreement with the State all remaining principal and interest payments will become due and payable immediately.

2017 Wells Fargo Lease

In 2016, the District entered into a Lease-Purchase Agreement with Wells Fargo Equipment Finance for the purchase of a Vac-Con truck. The agreement is secured with the Equipment. The cost on the truck is $424,187. The accumulated depreciation at June 30, 2021 is $56,634. The lease is paid monthly in installments of $5,219 which includes interest at 2.06% for a period of 5 years, maturing on October 12, 2021. Lessor may impose a late charge of 5% of the amount past due (or the maximum amount permitted by applicable law if less). Should the District fail to make the required payments or meet the covenants in the Agreement, all remaining principal and interest payments will become due and payable immediately. The Bank could also repossess the truck and sell or lease it.

C. Debt service requirements to maturity

The annual requirements to amortize principal and interest on the above long-term debt on June 30, 2021 are as follows:

Years ending June 30,	Principal	Interest	Total
2022	$ 114,659	$ 71,627	$ 186,286
2023	197,457	64,648	262,105
2024	176,893	58,834	235,726
2025	182,484	53,467	235,951
2026	185,685	47,861	233,545
2027-2031	1,019,398	146,506	1,165,904
2032-2036	534,559	18,749	553,308
2037-2040	58,503	-	58,503
	$ 2,469,637	$ 461,692	$ 2,931,330

D. Reserve Requirements, Pledged Revenues, and Rate Covenants

Debt covenants for the installment sale agreements to LaSalle Bank National Association, the loan agreements to the California State Department of Public Health, the United States Department of Agriculture, and the Certificates of Participation include reserve requirements be maintained by the District equal to the annual debt service payments. The District is in compliance with those covenants as of June 30, 2021.

As noted above in the individual debt issues outstanding, the District has pledged future water and sewer system revenues, net of specified operating expenses, to repay debt in the original amount of $5,390,661. Proceeds of these issues were used to refund certain debt issuances as described above and to fund improvements to the District's water and sewer systems. The debts are payable solely from water and sewer system revenues and are payable through July 1, 2039 and January 18, 2022, respectively. Annual principal and interest payments on the debts are expected to require approximately 6% of net revenues for water systems. Total principal and interest remaining to be paid on the debts was $2,187,705 at June 30, 2021. The sewer system debt has no debt coverage requirements at June 30, 2021.

Cash basis debt service paid during the year ended June 30, 2021 total $310,760 for the water system. Total water system net revenues calculated in accordance with the covenants was $4,790,356 at June 30, 2021.

NOTE 5 – Net Position

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

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

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

	Water	Sewer	Total
Restricted for capital:			
§ 66013 capacity fees-supply	$ 62,174	$ -	$ 62,174
§ 66013 capacity fees-treatment	154,356	433,194	587,550
§ 66013 capacity fees-collection	-	646	646
§ 66013 capacity fees-disposal	-	149,454	149,454
Capital recovery-collection	-	3,948,576	3,948,576
Capital recovery-transmission	-	115,438	115,438
Capital recovery-treatment	-	3,021,641	3,021,641
Total restricted for capital	$ 216,530	$ 7,668,949	$ 7,885,479
Restricted for debt service	$ 237,228	$ -	$ 237,228

Unrestricted describes the portion of net position which is not restricted as to use. Included within the unrestricted category are Designations. Designations of unrestricted net position may be imposed by the Board of Directors to reflect future spending plans or concerns about the availability of future resources. Designations may be modified, amended, or removed by Board action. On June 9, 2020 the Board adopted the District Reserve Policy establishing designated reserves for the water and sewer funds. The unrestricted net position in the water fund is negative, so no amounts are available for designation in that fund. The following is a summary of designated net position balances at June 30, 2021:

	Water	Sewer	Total
Operating Fund Reserve - purpose is to provide working capital to meet cash flow needs during normal operations and to support the operation, maintenance and administration of the District. The reserve is intended to reduce impacts from unforeseen events. The target reserve for this fund is established as a range between a minimumof 90 days of annual operation and maintenance ("O&M") and a maximum of 270 days of O&M.	n/a	$ 1,325,356	$ 1,325,356
Contingency/Emergency Fund Reserve - purpose is to protect the District against the financial impacts from unanticipated catastrophes or emergencies. The target reserve is two percent (2%) of annual O&M.	n/a	107,502	107,502
Capital Improvement Projects Fund Reserve - purpose is to fund future replacement of system capital assets and capital projects and to provide a cushion for changes in the long-range capital improvement facilities. The target reserve is planned revenue-funded capital projects for the upcoming fiscal year as adopted by the Board.	n/a	7,760,470	7,760,470
Total designated net position	$ -	$ 9,193,328	$ 9,193,328

NOTE 6 – Compensated Absences

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

	Balance July 1, 2020	Additions	Retirements	Balance June 30, 2021	Current Portion
Vacation	$ 617,462	$ 557,781	$ (522,718)	$ 652,525	$ 522,718
Sick leave	861,228	257,317	(283,745)	834,800	283,745
Comp time	16,697	60,196	(62,042)	14,851	14,851
	$ 1,495,386	$ 875,295	$ (868,505)	$ 1,502,176	$ 821,314

Vacation Pay

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

Years of Service	Equivalent Days per Annum
0 – 2 years	10
3 – 9 years	15
10 – 19 years	20
20 years and over	25

Sick Leave Pay

Regular full-time employees receive 3.69 hours of sick leave credit for each pay period worked. There is no limit on the maximum amount of sick leave hours accrued. Employees with five or more years of continuous service are eligible to receive payment or CalPERS service credit as follows. Employees hired prior to 10/13/2020 with more than 240 hour as of 10/13/2020 are eligible to receive payment for their balance as of 10/13/2020 upon retirement for 100% of the first 240 hours and 50% of the remaining balance. Sick leave accrued after 10/13/2020 is not eligible for payment but may be converted to service credit upon retirement. Employees separating from the District for purposes other than retirement may receive payment for 100% for a maximum of 240 hours. Employees hired prior to 10/13/2020 with less than 240 hours as of 10/13/2020 are eligible to receive payment for 100% of the first 240 hours, and upon retirement from CalPERS, may convert sick leave to service credit. Employees hired after 10/13/2020 may convert sick leave to service credit upon retirement from CalPERS. Employees with less than five years of service do not receive payment for any part of their accrued sick leave.

Notes to the Basic Financial Statements

Compensatory Time Off (CTO)

An hourly employee may elect to accrue CTO in lieu of receiving overtime pay. Employees with accrued CTO credit may take up to a maximum of five days at any one time. Any unused CTO credits will be paid out yearly based on the balance as of the last pay period in November.

NOTE 7 – Pension Plan

A. General Information about the Pension Plan

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

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

CalPERS acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website, www.calpers.ca.gov.

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1959 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The rate plan provisions and benefits in effect at June 30, 2021, are summarized as follows:

	Miscellaneous		
	First Level	Second Level	PEPRA
Hire date	Prior to November 16, 2012	November 16, 2012 to January 1, 2013	On or after January 1, 2013
Benefit formula	2.7% @ 55	2% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 55	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.426% to 2.418%	1.0% to 2.5%
Required employee contribution rates	8%	7%	6.75%
Required employer contribution rates	14.194%	11.031%	7.732%

In addition to the contribution rates above, the District was also required to make a payment of $883,831 toward its unfunded actuarial liability during the year ended June 30, 2021.

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

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

For the year ended June 30, 2021, the contributions recognized as part of pension expense were as follows:

	Miscellaneous			
	First Level	Second Level	PEPRA	Total
Contributions - employer	$1,349,386	$ 30,863	$180,829	$1,561,079

B. Net Pension Liability

As of June 30, 2021, the District reported a net pension liability for its proportionate share of the net pension liability of the Plan in the amount of $13,988,742.

The District's net pension liability is measured as the proportionate share of the net pension liability. The net pension liability is measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan as of June 30, 2020 and 2021 was as follows:

Proportion - June 30, 2020	0.33126%
Proportion - June 30, 2021	0.33164%
Change - (Decrease)	0.00038%

Actuarial Assumptions – The total pension liabilities in the June 30, 2019 actuarial valuations were determined using the following actuarial assumptions for the Plan:

	Miscellaneous
Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Projected Salary Increase	Varies by entry age and service
Long-term Rate of Return	7.15% (1)

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

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

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical and forecasted information of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

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

Asset Class[1]	Assumed Asset Allocation	Real Return Years 1-10[2]	Real Return Years 11+[3]
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	-	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	-	-0.92%

[1] In the System's CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-Term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

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

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

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

C. Net Pension Liability

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

Discount Rate - 1% (6.15%)	
Net Pension Liability	$ 21,171,661
Current Discount Rate (7.15%)	
Net Pension Liability	$ 13,988,742
Discount Rate + 1% (8.15%)	
Net Pension Liability	$ 8,053,722

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

D. Pension Expenses and Deferred Outflows/Inflows of Resources

For the year ended June 30, 2021, the District recorded pension expense of $2,339,561 for the Plan. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date	$ 1,561,079	$ -
Differences between expected and actual experience	720,882	-
Change of assumptions	-	(99,773)
Net difference between projected and actual earnings on pension plan investments	415,558	-
Adjustments due to differences in proportions	12,547	(98,699)
Difference between actual and allocated contribution	-	(273,671)
Total	$ 2,710,066	$ (472,144)

The $1,561,079 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized as future pension expense as follows:

Fiscal Year Ended June 30	
2022	$ (28,740)
2023	278,240
2024	228,029
2025	199,314
2026	-
Thereafter	-
	$ 676,843

E. Payable to the Pensions Plan

At June 30, 2021, the District had no outstanding contributions to the Plan.

NOTE 8 – Other Postemployment Benefits (OPEB) Plan

Plan Description

The District has established a Retiree Health Benefits Plan (“OPEB Plan”) and participates in an agent multiple-employer defined benefit retiree healthcare plan. The OPEB benefits are provided in accordance with negotiated memoranda of understanding with employee groups that was most recently adopted by the Board of Directors in Resolution 4-18 on February 13, 2018. The OPEB Plan provides eligible employees who retire directly from the

District, up to 100% contribution of the monthly CalPERS health insurance premiums for retiree medical coverage dependent on hire date and years of service. At the time of retirement eligible employees must be age 50 (52 for PEPRA members) with 5 years CalPERS service or disability. Surviving spouses are also eligible for this benefit based on annuity election. When the retiree and/or spouse turn 65, benefits are reduced to include coverage provided by Medicare. The District-covered retiree health benefits are as follows:

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

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

- Employees hired on or after May 1, 2013 are eligible for an amount up to the maximum of the minimum employer contributions per month as prescribed in Section 22892(b) (1) of the Government Code, currently $143.00 per month for 2021.

Employees Covered

As of the June 30, 2020 measurement date, the following current and former employees were covered by the benefit terms under the OPEB Plan:

Active employees	75
Inactive employees or beneficiaries currently receiving benefits	69
Inactive employees entitled to but not yet receiving benefits	4
Total	148

Contributions

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

The contribution requirements of the plan members and the District are established and may be amended by the Board of Directors. The District's Board of Directors adopted an annual prefunding contribution policy for a 10-year phase in to full Actuarially Determined Contribution (ADC), based on a percentage of the ADC, starting with 10% in fiscal year 2015 and increasing in 10% increments annually until 100% is achieved. The annual contribution for the fiscal year ended June 30, 2021 is based on 70% of the ADC with $482,340 in cash contributions to the trust, $670,172 in direct benefit payments to retirees, an implied subsidy of $129,000, and $1,653 in administrative expenses paid outside of the trust for a total of $1,283,165. Plan members did not make any contributions to the OPEB Plan.

Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2020 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2020 based on the following actuarial methods and assumptions:

Actuarial Assumptions:

Contribution Policy	10-year phase-in to Full Actuarially Determined Contribution (ADC): Pay Go, plus Percentage x (ADC- Pay Go) Percentage: 10% in 14/15, increasing by 10% annually, until reaching 100% in 23/24 forward
Discount Rate	6.75% at June 30, 2018; 6.75% at June 30, 2020
Expected Long-Term Investment Rate of Return	Same as discount rate - expected District contributions projected to keep sufficient plan assets to pay all benefits from trust
General Inflation	2.75% per annum
Mortality, Reitrement Termination, and Disability	CalPERS 1997-2015 Experience Study
Mortality Improvement [(1)]	Post-retirement mortality projected fully generational with Scale MP-18
Salary Increases	Aggregate - 3.00% annually Merit - CalPERS 1997-2015 Experience Study
Medical Trend	Non-Medicare - 7.25% for 2021, decreasing to an ultimate rate of 4.0% in 2076 and later years Medicare - 6.3% for 2021, decreasing to an ultimate rate of 4.0% in 2076 and later years
Healthcare participation for future retirees	Currently covered - 100%; Currently waived - 80%; PEMHCA Minimum only - 60%
Cap Increases	Cap: Healthcare trend
PEMHCA Minimum increases	4.25% per annum

Notes:

(1) Retirement mortality information was derived from data collected during 1997 to 2015 CalPERS experience Study dated December 2017. The Experience Study Report may be accessed on the CalPERS website www.calpers.ca.gov under Forms and Publications.

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global Equity	59%	4.82%
Fixed Income	25%	1.47%
TIPS	5%	1.29%
Commodities	3%	0.84%
REITs	8%	3.76%
Total	100%	

Discount Rate

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

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

The following presents the net OPEB liability of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2020:

Net OPEB Liability/(Asset)		
1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
$10,780,938	$8,497,866	$6,626,159

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

The following presents the net OPEB liability of the District if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2020:

Net OPEB Liability/(Asset)		
1% Decrease	Current Healthcare Trend	1% Increase
$6,291,452	$8,497,866	$11,246,397

Changes in the OPEB Liability

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

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2020 *(Valuation Date June 30, 2019)*	$ 15,794,223	$ 7,343,292	$ 8,450,931
Changes Recognized for the Measurement Period			
Service Cost	459,242	-	459,242
Interest	1,070,336	-	1,070,336
Difference Between Actual and Expected Experience	-	-	-
Assumption Changes	-	-	-
Contributions - Employer	-	1,230,017	(1,230,017)
Contributions - Employee	-	-	-
Net Investment Income	-	257,994	(257,994)
Benefit Payments and Refunds	(793,275)	(793,275)	-
Administrative Expenses	-	(5,368)	5,368
Net Changes	736,303	689,368	46,935
Balance as of June 30, 2021 *(Valuation Date June 30, 2020)*	$ 16,530,526	$ 8,032,660	$ 8,497,866

OPEB Plan Fiduciary Net Position

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

Recognition of Deferred Outflows and Deferred Inflows of Resources

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

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

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

Net difference between projected and actual earnings on OPEB plan investments	5 years
All other amounts	Expected average remaining service Lifetime (EARSL) (7.1 years in 2021)

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

For the fiscal year ended June 30, 2021, the District recognized OPEB expense of $845,102. As of fiscal year ended June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ (878,722)
Changes of assumptions	-	(91,032)
Net difference between projected and actual earnings on plan investments	140,291	-
Employer contributions made subsequent to the measurement date	1,283,165	-
Total	$ 1,423,456	$ (969,754)

The $1,283,165 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2020 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2021. Other amounts reported as deferred inflows of resources related to OPEB will be recognized as expense as follows:

Fiscal Year Ended June 30	Deferred Outflows/ (Inflows) of Resources
2022	$ (190,651)
2023	(150,651)
2024	(136,892)
2025	(142,111)
2026	(190,149)
Thereafter	(19,009)
Total	$ (829,463)

NOTE 9 – Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the District participates in the Association of California Water Agencies Joint Powers Insurance Authority (ACWA JPIA) Property and Liability Insurance Programs for risk of loss. The programs provide general liability, property, cyber security, commercial auto, boiler and machinery, employment practices, employee dishonesty coverage, employment benefits liability, public official errors and omissions and public official personal liability insurance coverage.

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

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

The District's maximum coverage as of June 30, 2021 consisted of $55 million for general liability, public officials and employees' errors, employment practices liability and auto liability; $5 million for cyber liability and $1 million for employee dishonesty. In addition, the District has property coverage of $500 million and boiler and machinery coverage of $100 million. Workers compensation and employer's liability coverage is $4 million.

NOTE 10 – Tuolumne Stanislaus Integrated Regional Water Management Authority

The Tuolumne Stanislaus Integrated Regional Water Management Authority (RWMA) was created on March 11, 2014, by a Joint Exercise of Powers Agreement by and between the following public agencies: Chicken Ranch Rancheria of Me-Wuk Indians, City of Angels Camp, Groveland Community Services District, Murphys Sanitary District, Tuolumne County, Tuolumne Utilities District, and Twain Harte Community Services District. Each of the parties to this Agreement share a common interest in maximizing the beneficial use of water within the Tuolumne-Stanislaus Region and find that it would be to their mutual advantage and the public's benefit to coordinate the implementation and funding of the Tuolumne-Stanislaus Integrated Regional Water Management Plan (Plan). The RWMA will be the decision-making body of the Plan going forward. The RWMA will also set the annual budget for the Plan as it will be funded solely by the members. Section 6.1 of the Joint Exercise of Powers Agreement indicates that, to the greatest extent permitted by law, the debts, liabilities and obligations of the Authority shall not be debts, liabilities or obligations of the Member entities. Consequently, the District would not be liable for the liabilities of the RWMA if the agreement were to be terminated.

NOTE 11 – Commitments and Contingencies

Contract Commitments

On January 12, 2021, the District executed an Engineering Services Agreement with Pacific Advanced Civil Engineering (PACE) in the amount of $754,480 for bidding and construction phase support, PLC programming, and SCADA integration services for the Sonora Regional Wastewater Recycling Facility (SRWWRF) project.

On February 9, 2021, the District executed an agreement for resident project representative services to Mountain Engineering in the amount of $455,000 for the Sonora Regional Wastewater Treatment Facility (SRWWTF) project.

On February 23, 2021, the District executed procurement contracts for five equipment packages totaling $2,898,079 for the SRWWTF project.

On April 27, 2021, the District executed a construction agreement with Moyle Excavation, Inc. for the Techite pipeline replacement project – phase II in the amount of $715,191. The project is expected to be completed within the 2022 fiscal year.

On May 26, 2021, the District executed an agreement with United Paving Maintenance, Inc. in the amount of $143,579 for the 2021 Districtwide Hot Mix Asphalt Trench Paving project. The project is expected to be completed within the 2022 fiscal year.

On June 8, 2021, the District executed a construction agreement with Sutton Enterprises for the new Matelot pipeline project in the amount of $479,165. The project is expected to be completed within the 2022 fiscal year.

On August 10, 2021 the Board approved USDA funding and interim Financing for the SRWWTF project and awarded construction contract to Kiewit Infrastructure West Co in the amount of $35,025,010, and authorized District Engineer to approve change orders up to, but not to exceed 10% ($3,502,501).

Contingent Liabilities

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

Other Contingency

The District receives a base allocation of water from the South Fork Stanislaus River under a 1983 agreement with the Pacific Gas and Electric Company (PG&E) to meet the water supply needs of multiple Tuolumne County communities at no cost (Note: The no cost charge for water was in exchange for the District taking on the responsibility for operating and maintaining 70 miles of gold rush era water conveyance ditches to approximately 600 raw water customers and 11 water treatment plants throughout the county). This water is vital to the wellbeing of Tuolumne County as it is currently the sole source of water to these communities. TUD is in exclusive negotiations with PG&E to acquire facilities and water rights on the South Fork Stanislaus River. TUD is also commencing negotiations with the United States Bureau of Reclamation to secure a water supply contract from New Melones Reservoir to diversify its water supply source and enhance water supply reliability to its customers throughout the county. Water supply reliability is important as it serves the foundation for a high quality of life for communities across Tuolumne County. Given California's perennially water short communities across the state, the senior water rights TUD is seeking to acquire from PG&E represents a valuable asset not only within Tuolumne County, but to partners outside Tuolumne County. If PG&E sells its water rights to an external party, the District could lose access to the water it needs for its customers or could have to pay market value for the water resulting in substantial costs to the District.

NOTE 12 – New Accounting Standards

In June 2017, the GASB issued Statement No. 87, *Leases.* This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition should be accounted for under the leases guidance, unless specifically excluded in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

In June 2018, the GASB issued Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period. This Statement enhances disclosures about capital assets and the cost of borrowing for a reporting period and simplifies the accounting for interest cost incurred before the end of a construction period. Interest cost incurred before the end of a construction period will be recognized as an expense rather than being recorded as part of the cost of capital assets in a business-type activity or enterprise fund and interest cost incurred by a fund using the current financial resources measurement focus before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for the reporting periods beginning after December 15, 2020.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020.* This Statement addresses a number of practice issues identified during the implementation of certain GASB Statements, including 1) the effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-03, *Leases*, for interim financial statements; 2) reporting of intra-entity transfers between a primary government employer and a component unit defined benefit pension plan or defined benefit OPEB plan; 3) the applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, as amended, and No. 74, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits; 4) the applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements; 5) measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition; 6) reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers; 7) reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature; and 8) terminology used to refer to derivative instruments. This Statement is applicable for items 1) and 7) above upon its issuance and is effective for the other items above for reporting periods beginning after June 15, 2021.

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

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Required Supplementary Information

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Tuolumne Utilities District
Required Supplementary Information
For the Year Ended June 30, 2021

Schedule of the Proportionate Share of the Net Pension Liability (Unaudited)

Last 10 Years (1)

	2021	2020	2019	2018	2017	2016	2015
Proportion of the net pension liability	0.33164%	0.33126%	0.33191%	0.33136%	0.33270%	0.34498%	0.31728%
Proportionate share of the net pension liability	$13,988,742	$13,265,126	$12,508,841	$13,062,426	$11,557,713	$9,464,307	$7,841,471
Covered-employee payroll - measurement period	6,035,628	5,801,469	5,392,242	5,434,973	5,135,879	4,820,795	4,610,405
Proportionate share of the net pension liability as percentage of covered-employee payroll	231.77%	228.65%	231.98%	240.34%	225.04%	196.32%	170.08%
Plan fiduciary net position as a percentage of the total pension liability	74.08%	74.46%	74.80%	72.43%	74.06%	78.40%	79.82%

Notes to Schedule:

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

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

(3) Changes in Assumptions: In 2019, the accounting discount rate was reduced from 7.65% to 7.15%

Tuolumne Utilities District
Required Supplementary Information
For the Year Ended June 30, 2021

Schedule of Contributions to the Pension Plan (Unaudited)

Last 10 Years [1]

	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contributions	$ 1,561,079	$ 1,426,519	$ 1,588,783	$ 1,404,740	$ 1,323,718	$ 1,217,505	$ 1,177,724
Contributions in relation to the actuarially determined contributions	(1,561,079)	(1,426,519)	(1,588,783)	(1,404,740)	(1,323,718)	(1,217,505)	(1,177,724)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll - fiscal year	$ 5,877,436	$ 6,035,628	$ 5,801,469	$ 5,392,242	$ 5,434,973	$ 5,135,879	$ 4,820,795
Contributions as a percentage of covered-employee payroll	26.56%	23.64%	27.39%	26.05%	24.36%	23.71%	24.43%
Methods and assumptions used to determine contribution rates:							
Valuation date	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012
Actuarial cost method	Entry age normal cost method						
Amortization method	Level percent of pay						
Asset valuation method	Market value						
Discount rate	7.00% [2]	7.25% [2]	7.375% [2]	7.50% [2]	7.50% [2]	7.50% [2]	7.5% [2]
Projected salary increases	Varies by entry age and service						
Inflation	2.75%	2.625%	2.75%	2.75%	2.75%	2.75%	2.75%
Payroll growth	2.50%	2.875%	3.00%	3.00%	3.00%	3.00%	3.00%
Retirement age and mortailty	(5)	(5)	(4)	(4)	(3)	(3)	(3)

Notes to Schedule:

(1) Omitted Years: GASB 68 was implemented during 2014. No information was available prior to this date.
(2) Net of pension plan investment expenses, includes inflation.
(3) Probabilities of retirement and mortality are based on CalPERS' 2010 Experience Study for the period from 1997 to 2007.
(4) Probabilities of retirement and mortality are based on CalPERS' 2014 Experience Study for the period from 1997 to 2011.
(5) Probabilities of retirement and mortality are based on CalPERS' 2017 Experience Study for the period from 1997 to 2015.

Tuolumne Utilities District
Required Supplementary Information
For the Fiscal Year Ended June 30, 2021

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

Measurement Period	2019/2020	2018/2019	2017/2018	2016/2017
Total OPEB Liability				
Service Cost	$ 459,242	$ 391,389	$ 379,989	$ 369,000
Interest	1,070,336	1,109,764	1,066,973	1,027,000
Difference Between Actual and Expected Experience	-	(1,223,320)	-	-
Assumption Changes	-	(126,732)	-	-
Benefit Payments Including Refunds	(793,275)	(812,865)	(835,975)	(780,000)
Changes of Benefit Terms	-	-	-	-
Net Changes	**736,303**	**(661,764)**	**610,987**	**616,000**
Total OPEB Liability (beginning of year)	**15,794,223**	**16,455,987**	**15,845,000**	**15,229,000**
Total OPEB Liability (end of year)	**$ 16,530,526**	**$ 15,794,223**	**$ 16,455,987**	**$ 15,845,000**
Plan Fiduciary Net Position				
Contributions - Employer	$ 1,230,017	$ 1,139,617	$ 1,147,381	$ 1,013,000
Contributions - Employee	-	-	-	-
Net Investment Income	257,994	421,036	467,057	553,000
Benefit Payments and Refunds	(793,275)	(812,865)	(835,975)	(780,000)
Administrative Expenses	(5,368)	(3,102)	(10,857)	(3,000)
Other Changes	-	-	-	-
Net Changes	**689,368**	**744,686**	**767,606**	**783,000**
Plan Fiduciary Net Position (beginning of year)	**7,343,292**	**6,598,606**	**5,831,000**	**5,048,000**
Plan Fiduciary Net Position (end of year)	**$ 8,032,660**	**$ 7,343,292**	**$ 6,598,606**	**$ 5,831,000**
Net OPEB Liability/(Asset)	$ 8,497,866	$ 8,450,931	$ 9,857,381	$ 10,014,000
Fiduciary Net Position as a percentage of the Total OPEB Liability	48.59%	46.49%	40.10%	36.80%
Covered Employee Payroll - measurement period	$ 6,405,089	$ 5,996,680	$ 5,860,003	$ 5,883,257
Net OPEB Liability as a percentage of Covered Employee Payroll	132.67%	140.93%	168.21%	170.21%

Notes to Schedule:

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

Tuolumne Utilities District

Required Supplementary Information

For the Fiscal Year Ended June 30, 2021

Schedule of Employer Contributions to the OPEB Plan (Unaudited)

	2020/2021	2019/2020	2018/2019	2017/2018
Actuarially Determined Contribution (ADC) - employer fiscal year	$ 1,364,000	$ 1,371,000	$ 1,327,000	$ 1,463,000
Contributions in Relation to the ADC	1,283,165	1,230,017	1,139,533	1,147,382
Contribution Deficiency/(Excess)	$ 80,835	$ 140,983	$ 187,467	$ 315,618
Covered Employee Payroll - employer fiscal year	$ 6,671,508	$ 6,405,089	$ 5,996,680	$ 5,860,003
Contributions as a percentage of Covered Employee Payroll	19.23%	19.20%	19.00%	19.58%

Notes to Schedule:

Methods and Assumptions to Determine Contributions:

Valuation Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
Actuarial Cost Method	Entry Age Normal, level percentage of payroll			
Amortization Method	Level percentage of payroll			
Remaining Amortization Period	12 years	13 years	14 years	15 years
Asset Valuation Method	Investment gains and losses spread over 5-year rolling period			
Discount Rate	6.75%	6.75%	6.75%	7.25%
General Inflation	2.75%	2.75%	2.75%	3.00%
Medical Trend	4.00% to 7.25%	4.00% to 7.50%	4.00% to 7.50%	5.00% to 7.20%
Mortality	CalPERS Experience Study			
	1997-2015	1997-2011	1997-2011	1997-2011
Mortality Improvement	Postretirement mortality projected fully generational with Scale:			
	MP-2018	MP-2016	MP-2016	MP-2016

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

Compliance Reports

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

To the Board of Directors
Tuolumne Utilities District
Sonora, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Tuolumne Utilities District (the District) as of and for the year ended June 30, 2021, and the related notes of the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 16, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Richardson & Company, LLP

September 16, 2021

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

To the Board of Directors
Tuolumne Utilities District
Sonora, California

Report on Compliance for Each Major Federal Program

We have audited Tuolumne Utilities District's (the District) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2021. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Major Federal Program

In our opinion, the District compliance, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.

Report on Internal Control Over Compliance

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

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

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

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

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

We have audited the financial statements of the District as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated June 30, 2021, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Richardson & Company, LLP

September 16, 2021

TUOLUMNE UTILITIES DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2021

Federal Grantor / Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor Number	Program Expenditures
MAJOR PROGRAMS			
U.S. Department of Housing and Urban Development:			
Passed through California Department of Housing and Community Development and Tuolumne County:			
Community Development Block Grants	14.228	18-CDBG-12906	$ 1,385,089
TOTAL MAJOR PROGRAMS			1,385,089
NON-MAJOR PROGRAMS			
U.S Department of Homeland Security, Federal Emergency Management Agency (FEMA):			
Passed through California Governor's Office of Emergency Services			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4308-DR-CA CalOES ID: 109-91007	351,975
TOTAL NON-MAJOR FEDERAL AWARDS			351,975
Total Expenditures of Federal Awards			$ 1,737,064

TUOLUMNE UTILITIES DISTRICT
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

NOTE A – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of the Tuolumne Utilities District (the District) under programs of the federal government for year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the District's operations, it is not intended to be and does not present the financial position, changes in financial position, or cash flows of the District.

NOTE B – Summary of Significant Accounting Policies

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

NOTE C – Program Costs/Matching Contributions

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

NOTE D – Indirect Cost Allocation Plan

The District did not charge indirect costs to federal programs during the year ended June 30, 2021.

NOTE E – Clusters of Programs

There were no clusters of the District's federal programs during the year ended June 30, 2021.

NOTE F – Subrecipients

There were no subrecipients of the District's federal programs during the year ended June 30, 2021.

NOTE G – Loan Program

The District had no federal loan programs at June 30, 2021.

TUOLUMNE UTILITIES DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2021

A. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Federal Awards

1. Internal control over major programs:	
a. Material weakness(es) identified?	No
b. Significant deficiencies identified not considered to be material weaknesses?	None noted
2. Type of auditor's report issued on compliance for major programs:	Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	No
4. Identification of major programs:	
CFDA Numbers	Name of Federal Program
14.228	Community Development Block Grants/State's Program and Non-entitlement Grants
5. Dollar threshold used to distinguish between type A and type B programs:	$750,000
6. Auditee qualified as low-risk auditee under 2 CFR Section 200.516(a)?	No

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None

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

None

D. PRIOR YEAR FINDINGS

None