

**TRUCKEE DONNER  
PUBLIC UTILITY DISTRICT**

**CONSOLIDATED FINANCIAL STATEMENTS**

Including Report of Independent Auditors

December 31, 2017 and 2016

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# Report of Independent Auditors

The Board of Directors  
Truckee Donner Public Utility District

## **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of Truckee Donner Public Utility District (the "District"), which comprise the consolidated statements of net position as of December 31, 2017 and 2016, and the related consolidated statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

### **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Truckee Donner Public Utility District as of December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the schedule of the District's proportionate share of the net pension liability, the schedule of contributions, and retiree health plan funding history, be presented to supplement the basic consolidated financial statements. Such information, although not a part of the basic consolidated 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 consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures in 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 consolidated financial statements, and other knowledge we obtained during our audit of the basic consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary Information*

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements that collectively comprise the District's consolidated financial statements. The schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the consolidating statements of net position, statements of revenues, expenses and changes in net position and cash flows as of and for the year ended December 31, 2017, are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements (collectively, the supplementary information). The supplementary 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 consolidated financial statements. Such information been subjected to the auditing procedures applied in the audit of the basic consolidated 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 consolidated financial statements or to the basic consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information, as described above, is fairly stated, in all material respects, in relation to the basic consolidated financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 25, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Moss Adams LLP*

Portland, Oregon  
May 25, 2018

# TRUCKEE DONNER PUBLIC UTILITY DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2017 and 2016

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### MANAGEMENT'S DISCUSSION AND ANALYSIS

As financial management of the Truckee Donner Public Utility District (the District), we offer readers of these financial statements this narrative overview and analysis of the financial activities of the District for the years ended December 31, 2017 and 2016. This discussion and analysis is designed to assist the reader in focusing on the significant financial topics, provide an overview of the District's financial activity and identify changes in the District's financial position.

We encourage readers to consider the information presented here in conjunction with that presented within the basic financial statements. The reader should take time to read and evaluate all sections of this report, including the footnotes and other supplementary information that is provided, in addition to this management discussion and analysis.

#### FINANCIAL HIGHLIGHTS

The District's current assets increased \$5.1 million (13.3%) from \$38.7 million at December 31, 2016 to \$43.8 million at December 31, 2017, predominantly due to higher than anticipated revenues for the Electric Utility.

The District's total net position increased \$5.6 million (7.1%) from \$79.2 million at December 31, 2016, to \$84.9 million at December 31, 2017. The increase is primarily attributed to a \$4.4 million increase for the Electric Utility for 2017.

Operating revenues increased \$2.8 million (7.8%) from \$35.6 million in 2016 to \$38.3 million in 2017. Electric revenues increased 10.5% in 2017. Electric revenues include a 2% rate increase in 2017. Federal Emergency Management Agency (FEMA) and California Office of Emergency Services (CalOES) reimbursements for reparation of plant damages sustained in January and February 2017 from extreme winter storms, and the District's participation in the joint pole program exceeded expectations in 2017 due to increased pole replacements. Water revenues increased 2% in 2017; primarily due to a 3% water rate increase in 2017 that was offset by decreased residential consumption. The Water Utility also received a small reimbursement of expenses from FEMA and CalOES associated with the extreme winter storms in 2017.

Operating expenses of the District increased \$2.6 million (7.9%) from \$33.1 million in 2016 to \$35.7 million in 2017. Electric expense increased 8.5% and Water expense increased 7.2% in 2017. The primary increase in expense is due to increased pension expense associated with the change in the discount rate implemented by CalPERS in 2017 in addition to the extra operating expenses that occurred from the extreme winter storms in Q1 of 2017.

Compared to 2016, the overall non-operating revenues remained nearly flat at \$3.8 million in 2017 compared to \$3.7 million in 2016. Non-operating expenses decreased \$0.3 million from \$3.2 million in 2016 to \$2.9 million in 2017.

No new debt was incurred in 2017. Final payments were made on two of the Water Utility's installment loans in 2017. The annual debt service on the two installment loans was just over \$300,000.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

This report includes Management's Discussion and Analysis, Report of Independent Auditors, the Basic Financial Statements, (which includes the notes to the financial statements), Required Supplementary Information and additional Supplementary Information.

See accompanying auditors' report.

# TRUCKEE DONNER PUBLIC UTILITY DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2017 and 2016

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### REQUIRED FINANCIAL STATEMENTS

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

The reporting entity consists of the primary government, which provides two utilities (electric utility and water utility), and the blended component units. Further details about the component units are provided in note 1(A).

The **Consolidated Statement of Net Position** presents information on all of the District's assets, deferred outflows of resources and liabilities, and deferred inflows of resources and provides information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the District, and assessing the liquidity and financial flexibility of the District.

All of the current year's revenues and expenses are reported in the **Consolidated Statements of Revenues, Expenses, and Changes in Net Position**. This statement provides a measurement of the District's operations over the past year and can be used to determine whether the District has successfully recovered all its costs through its rates and other charges.

The **Consolidated Statement of Cash Flows** provides relevant information about the District's cash receipts and cash payments during the reporting period. This statement reports cash receipts and cash payments resulting from operating, non-capital financing, capital and related financing, and investing activities. When used with related disclosures and information in the other financial statements, the statement of cash flows should provide insight into (a) the District's ability to generate future net cash flows, (b) the District's ability to meet its obligations as they come due, (c) the District's needs for external financing, (d) the reasons for differences between operating income and associated cash receipts and payments, and (e) the effects on the District's financial position of both its cash and its non-cash investing, capital, and financing transactions during the period. The changes in cash balances are an important indicator of the District's liquidity and financial condition.

The **Notes to the Financial Statements** provide additional information that is essential to a full understanding of the data provided in the basic financial statements. This includes but is not limited to, significant accounting policies, significant financial statement balances and activities, material risks, commitments and obligations, and subsequent events, as applicable.

# TRUCKEE DONNER PUBLIC UTILITY DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2017 and 2016

### DISTRICT HIGHLIGHTS

The condensed financial statements at December 31, 2017, 2016, and 2015 are presented below.

#### CONSOLIDATED STATEMENT OF NET POSITION

<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>Increase (Decrease) 2017 - 2016</b>
Current assets	\$ 43,809,466	\$ 38,675,596	\$ 37,628,590	\$ 5,133,870
Non-current assets:				
Capital assets, net	123,114,074	123,602,331	122,416,668	(488,257)
Restricted assets	1,818,513	1,876,032	1,900,036	(57,519)
Other long-term assets	3,848,264	4,618,396	5,361,643	(770,132)
Total Assets	<u>172,590,317</u>	<u>168,772,355</u>	<u>167,306,937</u>	<u>3,817,962</u>
Deferred outflows of resources	<u>4,350,842</u>	<u>4,764,564</u>	<u>3,274,459</u>	<u>(413,722)</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u><b>\$ 176,941,159</b></u>	<u><b>\$ 173,536,919</b></u>	<u><b>\$ 170,581,396</b></u>	<u><b>\$ 3,404,240</b></u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>				
Current liabilities	\$ 9,170,662	\$ 8,898,434	\$ 8,845,354	\$ 272,228
Non-current Liabilities				
Long-term debt, net of current portion	64,032,297	68,088,323	71,992,962	(4,056,026)
Net pension liability	11,975,655	10,250,329	8,013,400	1,725,326
OPEB liability	1,116,568	719,217	-	397,351
Unearned revenues	5,236,402	4,735,348	4,855,055	501,054
Total Liabilities	<u>91,531,584</u>	<u>92,691,651</u>	<u>93,706,771</u>	<u>(1,160,067)</u>
Deferred inflows of resources	<u>551,932</u>	<u>1,597,126</u>	<u>2,341,737</u>	<u>(1,045,194)</u>
<b>NET POSITION</b>				
Net investment in capital assets	55,267,086	52,052,148	47,043,317	3,214,938
Restricted for debt service	9,288,950	8,773,009	8,569,701	515,941
Unrestricted	20,301,607	18,422,985	18,919,870	1,878,622
Total Net Position	<u>84,857,643</u>	<u>79,248,142</u>	<u>74,532,888</u>	<u>5,609,501</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u><b>\$ 176,941,159</b></u>	<u><b>\$ 173,536,919</b></u>	<u><b>\$ 170,581,396</b></u>	<u><b>\$ 3,404,240</b></u>

In 2017, the District's current assets increased \$5.1 million, predominantly due to increased cash reserves associated with the Electric Utility. Other Long Term assets decreased \$0.8 million, due to the scheduled collection of special assessments receivable. Net Long Term debt decreased \$4.1 million, due to annual reduction of existing debt. See note 5 for details on remaining debt. No new debt was issued in 2017. The District's total net position increased \$5.6 million, substantially due to increased investment in capital assets including electric distribution replacement and improvement projects, meter replacement and communication upgrade, transportation equipment, pipeline replacement, and the continuation of the water SCADA replacement.

"Restricted for debt service" represents amounts restricted for payments related to outstanding revenue bonds.

See accompanying auditors' report.

# TRUCKEE DONNER PUBLIC UTILITY DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2017 and 2016

The District had income before capital contributions of \$3.5 million, \$3.0 million, and \$2.5 million for the years ended December 31, 2017, 2016, and 2015, respectively. Changes in the District's net position can be determined by reviewing the following Condensed Revenues, Expenses, and Changes in Net Position for the years ended December 31, 2017, 2016, and 2015.

### CONDENSED REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>Increase (Decrease) 2017 - 2016</u>
Sales to consumers	\$ 34,462,146	\$ 33,026,587	\$ 30,818,856	\$ 1,435,559
Other operating revenues	3,873,207	2,577,122	2,158,141	1,296,085
Total Operating Revenues	38,335,353	35,603,709	32,976,997	2,731,644
Operating expenses	35,702,131	33,101,672	30,892,366	2,600,459
Operating Income	2,633,222	2,502,037	2,084,631	131,185
Non-operating revenues (expenses)	879,451	514,107	380,837	365,344
Income before				
capital contributions	3,512,673	3,016,144	2,465,468	496,529
Capital contributions, net	2,096,828	1,699,110	1,430,510	397,718
<b>Change in net position</b>	5,609,501	4,715,254	3,895,978	894,247
Net Position, Beginning of Year	79,248,142	74,532,888	70,636,910	4,715,254
<b>NET POSITION, END OF YEAR</b>	<u>\$ 84,857,643</u>	<u>\$ 79,248,142</u>	<u>\$ 74,532,888</u>	<u>\$ 5,609,501</u>

Total operating revenues were \$38.3 million in 2017, \$35.6 million in 2016, and \$33.0 million in 2015. In 2017, electric revenues increased 10.5% due to a 2% rate increase in addition to increased residential and commercial consumption driven by colder temperatures. Water revenues increased 2.0%; a 3% rate increase in 2017 was offset by a continued trend in decreased consumption. Other operating revenues include just under \$1.1M in reimbursements to the Electric Utility from the Federal Emergency Management Agency (FEMA) and California Office of Emergency Services (CalOES) reimbursements for reparation of plant damages sustained in the January and February 2017 from extreme winter storms. The District received an additional \$65K in reimbursements to the Water Utility for reimbursement of qualifying expenses associated with the District's emergency protective measures to maintain water service to customers during those extreme winter storms.

Total operating expenses were \$35.7 million in 2017, \$33.1 million in 2016, and \$30.9 million in 2015. Electric expenses increased 8.5% and water expenses increased 7.2%, primarily attributed to the extraordinary expenses incurred from the extreme winter storms of 2017 as noted above in addition to a significant increase in pension expense due to the first year implementation of the decrease in the discount rate adopted by the California Public Employees Retirement System (CalPERS (see note 9).

Compared to 2016, the overall non-operating revenues remained nearly flat at \$3.8 million in 2017 and \$3.7 million in 2016. Non-operating expenses decreased \$0.3 million from \$3.2 million in 2016 to \$2.9 million in 2017.

# TRUCKEE DONNER PUBLIC UTILITY DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2017 and 2016

### CAPITAL ASSETS

As of December 31, 2017, 2016, and 2015, the District had \$123.1 million, \$123.6 million, and \$122.4 million, respectively, invested in a variety of capital assets, net of accumulated depreciation. A summary of capital assets is reflected in the following schedule.

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Electric distribution facilities	\$ 60,416,921	\$ 58,345,690	\$ 54,721,615
Water distribution facilities	112,596,747	108,860,825	107,005,578
General plant	15,782,620	15,062,278	13,887,881
Sub-totals	<u>188,796,288</u>	<u>182,268,793</u>	<u>175,615,074</u>
Less: Accumulated depreciation	<u>(68,563,235)</u>	<u>(63,372,738)</u>	<u>(58,042,448)</u>
Net of accumulated depreciation	120,233,053	118,896,055	117,572,626
Construction work in progress	<u>2,881,021</u>	<u>4,706,276</u>	<u>4,844,042</u>
<b>Net capital assets</b>	<u><u>\$ 123,114,074</u></u>	<u><u>\$ 123,602,331</u></u>	<u><u>\$ 122,416,668</u></u>

Net capital assets (additions, less retirements and depreciation) remained nearly flat in 2017 compared to 2016 respectfully. The District ended 2017 with decreased construction work in progress of \$2.9 million compared to \$4.7 million in 2016; the mainline replacement project in 2017 was completed earlier than prior years enabling the District to capitalize on it in 2017. Electric and Water Utility distribution assets in 2017 were both replaced at a slightly faster pace than accumulated depreciation.

### LONG-TERM DEBT

Long-term debt includes revenue bonds and notes payable. At December 31, 2017, 2016, and 2015, the District had \$64.0 million, \$68.1 million, and \$72.0 million, respectively, in long-term debt outstanding, net current maturities.

No new debt was issued in 2017.

### CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

The financial report is designed to provide readers with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact:

Truckee Donner Public Utility District  
Attn: Treasurer  
11570 Donner Pass Road  
Truckee, CA 96161

## **FINANCIAL STATEMENTS**

**TRUCKEE DONNER PUBLIC UTILITY DISTRICT**

**CONSOLIDATED STATEMENTS OF NET POSITION**

December 31, 2017 and 2016

<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		<u>2017</u>	<u>2016</u>
<b>CURRENT ASSETS</b>			
Cash Funds			
Operating		\$ 8,986,612	\$ 8,364,055
Designated		13,710,369	10,759,538
Restricted		7,846,356	7,116,914
Total Cash Funds		<u>30,543,337</u>	<u>26,240,507</u>
Accounts receivable, net		9,155,016	8,214,532
Unbilled revenues		2,629,457	2,911,201
Accrued interest receivable		76,932	96,746
Materials and supplies		677,896	656,981
Prepaid expenses		633,191	459,264
Other		93,637	96,365
Total Current Assets		<u>43,809,466</u>	<u>38,675,596</u>
<b>NON-CURRENT ASSETS</b>			
Other Non-Current Assets			
Restricted investment fund		1,818,513	1,876,032
Special assessments receivable		3,005,178	3,692,876
Other		843,086	925,520
Total Other Non-Current Assets		<u>5,666,777</u>	<u>6,494,428</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension		3,651,391	4,005,050
Unamortized loss on refunding		576,778	609,580
Unamortized redemption premium		122,673	149,934
Total Deferred Outflows of Resources		<u>4,350,842</u>	<u>4,764,564</u>
<b>CAPITAL ASSETS</b>			
Utility plant		188,796,288	182,268,793
Accumulated depreciation		(68,563,235)	(63,372,738)
Construction work in progress		2,881,021	4,706,276
Total Capital Assets		<u>123,114,074</u>	<u>123,602,331</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		<u>\$ 176,941,159</u>	<u>\$ 173,536,919</u>

The accompanying notes are an integral part of these consolidated financial statements.

**TRUCKEE DONNER PUBLIC UTILITY DISTRICT**

**CONSOLIDATED STATEMENTS OF NET POSITION**

December 31, 2017 and 2016

<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	2017	2016
<b>CURRENT LIABILITIES</b>		
Other Liabilities		
Accounts payable	\$ 2,345,746	\$ 2,506,514
Customer deposits	488,196	468,168
Other	994,615	918,577
Total Other Liabilities	3,828,557	3,893,259
Current Liabilities Payable From Restricted Assets		
Current portion of long-term debt	4,439,214	4,129,843
Accrued interest payable	902,891	875,332
Total Current Liabilities Payable from Restricted Assets	5,342,105	5,005,175
Total Current Liabilities	9,170,662	8,898,434
<b>NON-CURRENT LIABILITIES</b>		
Long-term debt, net of discounts and premiums	63,984,552	68,029,920
Net pension liability	11,975,655	10,250,329
OPEB liability	1,116,568	719,217
Installment loans	47,745	58,403
Unearned revenues	5,236,402	4,735,348
Total Non-Current Liabilities	82,360,922	83,793,217
Total Liabilities	91,531,584	92,691,651
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension	551,932	1,597,126
Total Deferred Inflows of Resources	551,932	1,597,126
<b>NET POSITION</b>		
Net investment in capital assets	55,267,086	52,052,148
Restricted for debt service	9,288,950	8,773,009
Unrestricted	20,301,607	18,422,985
Total Net Position	84,857,643	79,248,142
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	\$ 176,941,159	\$ 173,536,919

The accompanying notes are an integral part of these consolidated financial statements.

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**TRUCKEE DONNER PUBLIC UTILITY DISTRICT**

**CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

December 31, 2017 and 2016

	2017	2016
<b>OPERATING REVENUES</b>		
Sales to customers	\$ 34,462,146	\$ 33,026,587
Standby fees	154,970	160,670
Cap and trade proceeds	1,140,372	1,172,306
Other	2,577,865	1,244,146
Total Operating Revenues	38,335,353	35,603,709
 <b>OPERATING EXPENSES</b>		
Purchased power	11,327,300	11,511,308
Operations and maintenance	8,681,718	6,951,273
Consumer services	2,302,501	2,130,422
Administration and general	4,192,012	4,331,827
Pension expense	2,269,610	1,220,591
OPEB expense	397,350	719,218
Depreciation	6,531,640	6,237,033
Total Operating Expenses	35,702,131	33,101,672
 Operating Income	2,633,222	2,502,037
 <b>NON-OPERATING REVENUE (EXPENSES)</b>		
Special tax revenue	3,342,077	3,290,186
Investment income	420,490	390,310
Interest expense	(2,868,084)	(3,060,079)
Amortization	(38,250)	(17,804)
Other non-operating revenues	42,057	63,008
Other non-operating expenses	(26,377)	(150,000)
Gain (loss) on disposition of assets	7,538	(1,514)
Total Non-Operating Revenue (Expenses)	879,451	514,107
 Income Before Contributions	3,512,673	3,016,144
 <b>CAPITAL &amp; OTHER CONTRIBUTIONS</b>	2,096,828	1,699,110
 <b>CHANGE IN NET POSITION</b>	5,609,501	4,715,254
 Net Position - Beginning of Year	79,248,142	74,532,888
 <b>NET POSITION - END OF YEAR</b>	\$ 84,857,643	\$ 79,248,142

The accompanying notes are an integral part of these consolidated financial statements.

**TRUCKEE DONNER PUBLIC UTILITY DISTRICT**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Received from customers	\$ 37,790,910	\$ 35,177,778
Paid to suppliers for goods and services	(20,134,075)	(19,476,138)
Paid to employees for services	(7,486,250)	(6,432,772)
Net Cash Flows from Operating Activities	<u>10,170,585</u>	<u>9,268,868</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Debt issuance costs	-	78,838
Proceeds from refunding	-	5,353,413
Principal payments on long-term debt	(404,000)	(6,102,838)
Interest payments on long-term debt	(63,590)	(250,584)
Net Cash Flows from Noncapital Financing Activities	<u>(467,590)</u>	<u>(921,171)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital expenditures for utility plant	(5,381,950)	(7,421,152)
Cost of disposal of property net of salvage	(126,018)	(78,431)
Capital contributions, connection and facility fees	1,805,481	1,356,731
Special assessments receipts	687,698	670,914
Special tax receipts	3,211,853	2,808,756
Debt issuance costs	-	66,240
Proceeds from refunding	-	3,128,760
Principal payments on long-term debt	(3,347,860)	(6,361,159)
Interest payments on long-term debt	(2,749,920)	(2,824,278)
Cash Flows From Capital and Related Financing Activities	<u>(5,900,716)</u>	<u>(8,653,619)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest income received	531,551	418,963
Cash Flows from Investing Activities	<u>531,551</u>	<u>418,963</u>
<b>Net Change in Cash and Cash Equivalents</b>	4,333,830	113,041
CASH AND CASH EQUIVALENTS – Beginning of Year	<u>26,260,954</u>	<u>26,147,913</u>
<b>CASH AND CASH EQUIVALENTS – END OF YEAR</b>	<u>\$ 30,594,784</u>	<u>\$ 26,260,954</u>
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Developer and customer added capital assets	\$ 871,918	\$ 189,176
Recognition of prior period unearned revenues	\$ 3,038,924	\$ 3,414,080

The accompanying notes are an integral part of these consolidated financial statements.

**TRUCKEE DONNER PUBLIC UTILITY DISTRICT**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

December 31, 2017 and 2016

	2017	2016
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating income	\$ 2,633,222	\$ 2,502,037
Noncash items included in operating income		
Depreciation and amortization	6,531,640	6,237,033
Depreciation charged to other accounts	344,042	264,368
Pension expense - GASB 68	2,269,611	1,180,590
Deferred Pension Contributions - GASB 68	(1,235,820)	(1,061,245)
OPEB	397,350	719,218
Changes in assets and liabilities		
Accounts receivable and unbilled revenues	(592,348)	(325,520)
Materials and supplies	(20,915)	(17,539)
Prepaid expenses and other current assets	(173,927)	(22,362)
Accounts payable	(160,769)	(476,588)
Customer deposits	20,027	44,668
Other current liabilities	158,472	224,208
	<b>\$ 10,170,585</b>	<b>\$ 9,268,868</b>
 <b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE BALANCE SHEET</b>		
Operating	\$ 8,986,612	\$ 8,364,055
Designated	13,710,369	10,759,538
Restricted funds - current	7,846,356	7,116,914
Restricted funds - non-current	1,818,513	1,876,032
Total Cash and Investments	32,361,850	28,116,539
Less: Long-term investments	(1,698,880)	(1,698,880)
Mark to market adjustments	(68,186)	(156,705)
	<b>\$ 30,594,784</b>	<b>\$ 26,260,954</b>

The accompanying notes are an integral part of these consolidated financial statements.

# TRUCKEE DONNER PUBLIC UTILITY DISTRICT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

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### NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. ORGANIZATION

The Truckee Donner Public Utility District (the District) was formed and operates under the State of California Public Utility District Act. The District is governed by a board of directors which consists of five elected members. The District provides electric and water service to portions of Nevada and Placer Counties described as Truckee. The electric and water service operations are separately maintained and operated. These financial statements reflect the combined electric and water operations of the District. All significant transactions between electric and water operations have been eliminated. These eliminations include power purchases and rent for shared facilities.

The District's blended component units consist of organizations whose respective governing boards are comprised entirely of the members of the District's Board of Directors. These organizations are reported as if they are a part of the District's operations. The entities are legally separate, however, in the case of the Truckee Donner Public Utility District Financing Corporation, financial support has been pledged and financial and operational policies may be significantly influenced by the District. The following is a description of the District's blended component units:

*Truckee Donner Public Utility District Financing Corporation* is a legal entity that was created to issue and administer Certificates of Participation on behalf of the District. (See note 5).

*Truckee Donner Public Utility District Community Facilities District No. 03-1 (Old Greenwood)* is a legal entity created to issue special tax bonds to finance various public improvements needed to develop property located within Old Greenwood. (See note 7).

*Truckee Donner Public Utility District Community Facilities District No. 04-1 (Gray's Crossing)* is a legal entity created to issue special tax bonds to finance various public improvements needed to develop property located within Gray's Crossing. (See note 7).

Separate standalone financial statements are not available for the blended component units described above. Unless noted, disclosures relating to the component units are the same as for the District.

#### B. ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

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

# TRUCKEE DONNER PUBLIC UTILITY DISTRICT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

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### NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *C. USE OF ESTIMATES*

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

#### *D. CASH AND CASH EQUIVALENTS*

For the purpose of the accompanying statement of cash flows, the District considers all highly liquid instruments with original maturities of three months or less when purchased to be cash equivalents and are shown in the financial statements as “Cash Funds”.

#### *E. INVESTMENTS*

The District pools cash and investments. The District’s investment policy allows for investments in instruments permitted by the California Government Code and/or the investments permitted by the trust agreements on District financing. The District’s investment policy contains provisions intended to limit the District’s exposure to interest rate risk, credit risk, and concentration of credit risk. Investment income from pooled investments is allocated to all funds in the pool. Interest is allocated on the basis of month end cash amounts for each fund as a percentage of the total balance.

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an assets fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District does not have any investments that are measured using Level 3 inputs.

#### *F. DESIGNATED ASSETS*

The board has designated certain resources for future capital projects, replacements, and operational needs.

#### *G. RESTRICTED ASSETS*

Restricted assets are assets restricted by the covenants of long-term financial arrangements or other third party legal restrictions. Restricted assets are used in accordance with their requirements and where both restricted and unrestricted resources are available for use, restricted resources are used first and then unrestricted as they are needed.

#### *H. ACCOUNTS RECEIVABLE AND ALLOWANCES FOR DOUBTFUL ACCOUNTS*

Accounts receivable are recorded at the invoiced amount and are reported net of allowances for doubtful accounts of \$25,200 and \$34,300 for 2017 and 2016, respectively.

#### *I. MATERIALS AND SUPPLIES*

Materials and supplies are recorded at average cost.

**TRUCKEE DONNER PUBLIC UTILITY DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2017 and 2016

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NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

*J. DEBT PREMIUM, BOND ISSUANCE COSTS, AND DISCOUNTS*

Original issue and reacquired bond premiums and discounts relating to revenue bonds are amortized over the terms of the respective bond issues using the effective interest method. Debt issuance costs are expensed in the period incurred.

*K. SPECIAL ASSESSMENT RECEIVABLE*

Special assessment receivable represent amounts due from property owners within the Donner Lake Assessment District for improvements made by the District pursuant to an agreement with the property owners to improve their water quality as discussed in note 8.

*L. AMORTIZED EXPENSES*

In 2003, the District entered into a broadband dark fiber maintenance agreement with Sierra Pacific Communications (SPC) which is included in the line item “other non-current assets” in the accompanying Statement of Net Position. SPC subsequently assigned the agreement to AT&T. The agreement is expected to provide benefit to the District over the estimated 20-year life of the agreement. (See note 4).

*M. CAPITAL ASSETS*

Capital assets are generally defined by the District as assets with an initial, individual cost of more than \$10,000 and an estimated useful life of at least two years.

Capital assets of the District are stated at the lower of cost or the acquisition value at the time of contribution to the District. Major outlays for plant are capitalized as projects are constructed. Depreciation on capital assets is calculated using the straight-line method over the estimated useful lives of the assets, which are as follows:

Distribution Plant	
Electric	23 – 35 years
Water	15 – 40 years
Computer software and hardware	3 – 7 years
Building and improvements	20 – 33 years
Equipment and furniture	4 – 10 years

It is the District’s policy to capitalize interest paid on debt incurred for significant construction projects while those projects are under construction, less any interest earned on related unspent debt proceeds. No new debt related to capital assets was issued in 2017 and 2016; no interest was capitalized in 2017 or in 2016.

*N. COMPENSATED ABSENCES*

Under terms of employment, employees are granted sick leave and vacations in varying amounts. Only benefits considered to be vested are disclosed in these statements. Vested vacation and sick leave pay is accrued when earned in the financial statements. The liability is liquidated from general operating revenues of the utility.

# TRUCKEE DONNER PUBLIC UTILITY DISTRICT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

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### NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *O. REVENUE RECOGNITION*

Unbilled revenues, representing estimated consumer usage for the period between the last meter reading and the end of the period, are accrued in the period of consumption. Water customers without meters are billed on a flat-rate basis, and revenues are recorded as billed. Revenues from connection fees are recognized upon completion of the connection. Income that the District has earned through investing its excess cash is reflected within income from investments when earned.

#### *P. REVENUE AND EXPENSE CLASSIFICATION*

The District distinguishes operating revenues and expenses from non-operating items in the preparation of its financial statements. Operating revenues and expenses generally result from providing electric and water services in connection with the District's principal ongoing operations. The principal operating revenues are sales to customers. The District's operating expenses include power purchases, labor, materials, services, and other expenses related to the delivery of electric and water services. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses, or capital contributions and other.

#### *Q. POWER PURCHASES AND TRANSMISSION*

In 1999, the District entered into an agreement with Sierra Pacific Power Company dba NV Energy (SPPC), whereby SPPC will provide transmission services to the District through December 31, 2027. In addition, the District purchases scheduling services from Utah Municipal Power Systems and the scheduling services are included in the monthly power billings from UAMPS. The purchase of transmission services from NV Energy represented 4.4% and 6.1% of total purchased power costs in 2016 and 2017, respectively.

In December of 2005, the District entered into an agreement with UAMPS. Subsequently, the District entered into many pooling appendices for power capacity and energy that relate to various time periods from January 2008 through March 2028. Also in 2009, the District signed an agreement with UAMPS for approximately 5 MW of the Nebo natural gas generation plant capacity. In August 2012, the Horse Butte Wind project began commercial operation and the District owns approximately 15 MW of nameplate capacity that generates about 5 MW on average. The District has also invested in the Veyo Heat Recovery project that came on line in mid-2016. The District will expect about 1.7 MW of carbon free generation from this generation source.

In August of 2007, the District entered into an agreement with Western Area Power Administration (WAPA) for the delivery of Stampede Dam Hydro generation. In accordance with this agreement, the District is entitled to a portion of the power generated by the Stampede Dam Hydro generation. This generation is dependent upon the amount of water that is made available to the generator. This agreement is effective through 2024.

In 2017 and 2016, the UAMPS contract, along with its appendices, and the WAPA contract for Stampede Dam Hydro comprised the majority of a diversified power portfolio that balanced risk and cost for the District.

# TRUCKEE DONNER PUBLIC UTILITY DISTRICT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

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### NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *R. CAP AND TRADE PROGRAM PROCEEDS*

California Assembly Bill 32 (AB32) is an effort by the State of California to set a 2020 greenhouse gas (GHG) emissions reduction goal into law. AB32 requires California to lower greenhouse gas emissions to 1990 levels by 2020. Central to this initiative is the implementation of a cap and trade program, which covers major sources of GHG emissions in the State including power plants. The California Cap and Trade Program is designed to achieve cost-effective emissions reductions across the capped sectors. The program sets maximum statewide GHG emissions for all covered sectors each year (“cap”), and allows covered entities to sell off allowances (“trade”). An allowance is a tradable permit that allows the emission of one metric ton of CO<sub>2</sub>. The California carbon price is driven by allowance trading. The District is subject to AB32 and has excess allowances due to reducing carbon-based generation in its power portfolio.

In 2017 and 2016, the District sold its excess allowances in the program auctions and the proceeds were recorded as \$1,140,372 and \$1,172,306 operating revenue for the respective years. The auction proceeds are held in a restricted fund and are used to purchase qualified renewable power (See note 2).

#### *S. INCOME TAXES*

As a government agency, the District is exempt from payment of federal and state income taxes.

#### *T. TAX REVENUES*

Beginning in 2004, the District levied ad valorem property tax on all the taxable property within the Old Greenwood District in an amount sufficient to pay the yearly principal and interest on the Special Assessment District Tax Bonds. (See notes 5 and 7). The District had revenues of \$683,217 in 2017 and \$670,762 in 2016.

On January 28, 2014, refunding bonds were sold to a private investment firm and the proceeds were used to call the 2003 Old Greenwood bonds on March 1, 2014. The 2014 refunding bonds have the same rate and method of apportionment conditions on the Old Greenwood properties as the original 2003 bonds.

Beginning in 2005, the District levied ad valorem property tax on all taxable property within the Gray's Crossing District in an amount sufficient to pay the yearly principal and interest on the Special Assessment District Tax Bonds. (See notes 5 and 7). The District had revenues of \$2,560,949 in 2017 and \$2,619,424 in 2016.

Taxes are assessed based on the county tax year ending June 30, resulting in unearned revenues for each of the community facility districts. (See note 6).

#### *U. CONTRIBUTED CAPITAL ASSETS*

A portion of the District's capital assets have been obtained through amounts charged to developers for plant constructed by the District; direct contributions of capital assets from developers and other parties; as well as assessments of local property owners. These items are recognized within capital assets as construction is completed for plant constructed by the District based on the cost of the items, when received for contributed capital assets based on the actual or estimated fair value of the contributed items, or upon completion of the related project for development agreements. The District records amounts received within capital contributions when a legally enforceable claim is established. Until the District meets the criteria to

# TRUCKEE DONNER PUBLIC UTILITY DISTRICT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

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### NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

record the amounts described above as capital contributions, any amounts received are recorded within unearned revenues on the Statement of Net Position.

#### *V. OTHER – PENSION SIDEFUND*

As a result of implementing GASB Statement No. 68, the pension side-fund payoff that occurred in 2011 and which had been reported in the financial statements as an asset was written off due to the District's participation in CalPERS cost-sharing multi-employer retirement benefit plan. However, the liability for the payoff remains until paid in full thru 2022. The intercompany fund transfers for the principal portion of the debt service between the electric and water utility is included as "other."

#### *W. PENSION*

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

#### *X. RECENT ACCOUNTING PRONOUNCEMENTS IMPLEMENTED BY THE DISTRICT*

In March 2016, GASB issued Statement No. 82, *Pension Issues*, an amendment of GASB Statements No. 67, No. 68, and No. 73. The primary objective of this statement is to address issues regarding (1) presentation of payroll-related measures in required supplementary information, (2) selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The District implemented the statement in the current year.

# TRUCKEE DONNER PUBLIC UTILITY DISTRICT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

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### NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Y. DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

Consists of deferrals for changes in the net pension liability as defined under GASB Statement No. 68.

#### Z. UNAMORTIZED LOSS ON BOND REFUNDING

For current and advanced refunding results in defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt (Gain or loss) is deferred and amortized as a component of interest expense over the remaining life of the old debt or the new debt, whichever is shorter. These amounts are reported as deferred outflow on the statements of net position.

#### AA. ACCOUNTING PRONOUNCEMENTS TO BE IMPLEMENTED IN UPCOMING YEARS

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. This statement is effective for the District fiscal year ending December 31, 2018. The District has elected not to implement GASB Statement No. 75 early and has not determined its effect on the District's financial statements.

GASB Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (ARO's). The District has not determined what impact, if any, this pronouncement will have on the financial statements. Application of this statement is effective for the District's fiscal year ending December 31, 2019.

GASB Statement No. 87, *Leases*, addresses accounting and financial reporting for leases by governments. This Statement increases the usefulness of financials statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases by establishing a single model of lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about leasing activities. The District has not determined what impact, if any, this pronouncement will have on the financial statements. This statement is effective for the District fiscal year ending December 31, 2020.

### NOTE 2 – CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash, cash equivalents and investments are recorded in accounts as either restricted or unrestricted as required by the District's certificates of participation indentures or other third-party legal restrictions. Restricted assets represent funds that are restricted by certificates of participation covenants or third party contractual agreements. Assets that are allocated by resolution of the Board of Directors are considered to be Board designated assets. Board designated assets are a component of unrestricted assets as their use may be redirected at any time by approval of the Board. Upon Board approval, assets from board designated accounts may be used to pay for selected capital projects. Such accounts have been designated by the Board for the following purposes:

# TRUCKEE DONNER PUBLIC UTILITY DISTRICT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

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### NOTE 2 – CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

#### **Electric Capital Replacement**

Starting in 2009, the Board set aside funds designated for future electric infrastructure replacement.

#### **Electric Vehicle Reserve**

Beginning in 2009, the Board set aside funds designated for future electric utility vehicle replacements.

#### **Electric Rate Reserve**

In compliance with Board rules, the District created an electric rate stabilization fund in anticipation of future costs. During both 2017 and 2016, there was no utilization of these funds to offset increased power costs in lieu of raising electric rates.

#### **Reserve for Future Meters**

Prior to 1992, connection fees charged to applicants for water service included an amount, which was maintained in a designated fund, to offset the cost of future metering. In 2008, the Board adopted an ordinance to charge a \$5 monthly surcharge to all customers of treated water beginning January 2009 through December 2013. Water meters and automated meter reading devices are being installed, and customers will be billed volumetrically in accordance with California Assembly Bill 2572. As meters are installed, these funds are used to pay for related costs.

#### **Water Vehicle Reserve**

Beginning in 2009, the Board set aside funds designated for future Water Utility vehicle replacements.

#### **Prepaid Connection Fees**

In compliance with Board rules, the District has set aside prepaid connection fees to cover installation costs of water services.

#### **Debt Service Coverage and Operating Reserve Fund**

Effective 2007, the Board has voluntarily set aside funds to improve the District's cash-to-debt-service ratio. In 2017, no funds were used.

#### **Donner Lake Assessment District Surcharge Fund**

The District established a monthly billing surcharge in the amount of \$6.65 applicable to customers in the Donner Lake area to provide revenue to pay the remainder of the cost of reconstruction effective October 2006.

#### **Deferred Liabilities Reserve**

Starting in 2017, the Board established a reserve to protect the District from volatility in pension, other post-employment benefits, and worker's compensation premiums.

**TRUCKEE DONNER PUBLIC UTILITY DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2017 and 2016

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NOTE 2 – CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

As of December 31, Board designated accounts at fair value consisted of the following:

	<u>2017</u>	<u>2016</u>
Electric capital replacement fund	\$ 4,035,103	\$ 3,428,130
Electric vehicle reserve	602,706	378,880
Electric rate reserve	5,449,424	4,400,251
Electric deferred liabilities reserve	1,000,000	-
Reserve for future meters	507,653	533,777
Water vehicle reserve	60,897	-
Prepaid connection fees	80,261	79,181
Debt service & operating reserve fund	1,869,954	1,847,559
Donner Lake Assessment District surcharge fund	104,371	91,760
Totals	<u>\$ 13,710,369</u>	<u>\$ 10,759,538</u>

Certain assets have been restricted by bond covenants or third party contractual agreements for the following purposes:

**Certificates of Participation**

Prepayments to the Trustee from the District for upcoming debt payments.

**Special Tax Bonds: Gray's Crossing**

The terms of the special tax bonds issued for the Mello-Roos Community Facilities Districts (CFD) require reserve funds as security for each principal and interest payment as they come due. Reserve funds are set aside as prescribed in the loan documents. These reserve funds are held by Bank of New York Mellon Trust Company.

**Facilities Fees**

The District charges facilities fees to applicants for new service to cover the costs of infrastructure needed to meet their systems demand. The use of such funds is restricted by California state law.

**Department of Water Resources (DWR) Prop 55 Reserve Fund**

Regulations relating to the Department of Water Resources loan require the accumulation of a reserve fund as security for each principal and interest payment as they come due. Annual payments into the fund were required for each of the first ten years beginning April 1, 1996. The total reserve fund equals two semi-annual payments and was fully funded during 2006. These funds are set aside for the life of the borrowed amount. All of the reserve funds are invested in the State of California Local Agency Investment Fund.

# TRUCKEE DONNER PUBLIC UTILITY DISTRICT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

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### NOTE 2 – CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

#### **Glenshire Escrow Account**

The District received cash and other assets as part of its acquisition of the Glenshire Mutual Water Company. Also, the District received a monthly water system upgrade surcharge from Glenshire residents until November 30, 2017. This cash was utilized to pay the installment loan related to the Glenshire water system improvements as specified in the terms of the acquisition agreement.

In 2011, the District sold a parcel from the Glenshire Mutual Water Company assets. The net proceeds of \$294,940 were transferred to the Glenshire Escrow Account and the monthly water system upgrade surcharge was reduced from \$10.75 to \$4.75.

In 2017, the final debt payment was made and the surcharge ended.

#### **Donner Lake Special Assessment District Improvement and Reserve Fund**

The District established the Donner Lake Special Assessment District (DLAD) Improvement Fund to account for all funds received from the Special Assessment Receivable, which will be used to pay the debt service costs related to the Donner Lake Water System project. The DLAD Improvement Fund also has a reserve fund as required by the California – Safe Drinking Water – State Revolving Fund (SRF). This fund is required to set aside \$40,043 semi-annually for ten years beginning in 2006. The reserve fund was fully funded as of December 31, 2016.

#### **AB32 Cap and Trade Auction Fund**

The District electric utility is identified as an “Electric Distribution Utility” under the Cap and Trade regulations and is therefore eligible to receive a direct allocation of allowances that can be sold in an auction. The proceeds from quarterly allowance auctions are held in this restricted fund and are used to purchase qualified renewable power. These funds are intended to mitigate the burden on the consumer without impacting a carbon price signal.

#### **Other (Area Improvement Funds)**

The District received funds from the County of Nevada, which are to be used only for improvements to specific areas within the District’s boundaries in Nevada County. These areas include various Nevada County assessment districts.

**TRUCKEE DONNER PUBLIC UTILITY DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2017 and 2016

NOTE 2 – CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

As of December 31, restricted cash and cash equivalents and investments at fair value consisted of the following:

	<u>2017</u>	<u>2016</u>
Certificates of Participation	\$ 1,020,999	\$ 537,586
Special tax bonds	3,015,361	2,823,629
Facilities fees	671,866	607,235
DWR-Prop 55 reserve fund	319,873	315,571
Glenshire escrow accounts	-	95,695
Donner Lake Special Assessment District improvement	2,634,240	2,593,139
Donner Lake Special Assessment District reserve fund	811,765	804,801
AB 32 Cap and Trade Auction fund	1,137,796	1,163,035
Other (area improvement funds)	52,969	52,256
Total Restricted Cash and Cash Equivalents and Investments	<u>\$ 9,664,869</u>	<u>\$ 8,992,947</u>

Cash and investments are comprised of the following cash and cash equivalents and investments as of December 31:

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 30,543,337	\$ 26,240,507
Investments – government bonds	1,818,513	1,876,032
Totals	<u>\$ 32,361,850</u>	<u>\$ 28,116,539</u>

Cash and cash equivalents and investments were \$32,361,850 and \$28,116,539 at December 31, 2017 and 2016, respectively. Cash equivalents substantially consist of deposits in the state pooled fund, Placer County pooled fund, money market funds and investments.

Adjustments necessary to record investments at fair market value are recorded in the operating statement as increases or decreases in investment income. Market values may have changed significantly after year end.

***FAIR VALUE MEASUREMENT***

The District applies the provisions of Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, which requires governmental entities, to report certain investments at fair value on the Statements of Net Position.

Investments are valued at fair value at December 31. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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 for identical instruments in active markets. Level 2 inputs are quoted prices for similar instruments in active markets; quoted prices

# TRUCKEE DONNER PUBLIC UTILITY DISTRICT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

### NOTE 2 – CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

for identical or similar instruments in markets that are not active; and model derived valuations in which all significant inputs are observable. Level 3 inputs are valuations derived from valuation techniques in which significant inputs are unobservable.

The District classifies its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The District has the following fair value measurements as of December 31, 2017:

- US Government bonds and cash equivalents are valued using observable inputs (Level 2 inputs).

#### *INVESTMENTS AUTHORIZED BY THE DISTRICT'S INVESTMENT POLICY*

The District adopted an investment policy in 2006 which allowed for investments in instruments permitted by the California Government Code and/or the investments permitted by the trust agreements on District financing, including investments in the local government investment fund pool administered by the State of California (LAIF), Placer County Treasurer's Investment Portfolio (PCTIP) pooled investment and Utah Public Treasurers' Investment Fund (UPTIF). The District's investment policy contains provisions intended to limit the District's exposure to interest rate risk, credit risk, and concentration of credit risk. At December 31, 2017 and 2016 the District's deposits and investments at fair value were held as follows:

	<u>2017</u>	<u>2016</u>
Cash on hand	\$ 2,400	\$ 2,400
Deposits	1,083,310	964,122
LAIF	11,709,151	9,785,017
PCTIP	7,933,761	6,853,226
UPTIF	7,446,510	6,944,706
Money Market Funds	2,368,205	1,691,036
Government Bonds	1,818,513	1,876,032
Totals	<u>\$ 32,361,850</u>	<u>\$ 28,116,539</u>

#### *DISCLOSURES RELATING TO INTEREST RATE RISK*

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater is the sensitivity of its fair value to changes in 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 District's investments by maturity for 2017 and 2016:

<u>Investments and Deposits</u>	<u>Maturity</u>
LAIF	3 months or less
PCTIP	3 months or less
UPTIF	3 months or less
Federated U.S. Treasury Cash Reserve	3 months or less
Morgan Stanley Treasury	3 months or less
Fidelity Money Market Government Portfolio 57	3 months or less
Dreyfus Treasury Securities	3 months or less
Federal Farm Credit Banks	03/02/2021

# TRUCKEE DONNER PUBLIC UTILITY DISTRICT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

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### NOTE 2 – CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

#### *DISCLOSURES RELATING TO CREDIT RISK*

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. LAIF, PCTIF and UPTIF do not have a rating provided by a nationally recognized statistical rating organization. The Morgan Stanley Treasury is rated AAAm by S&P and Aaa-mf by Moody's. The Federated U.S. Treasury Cash Reserve is rated AAAm by S&P and Aaa-mf by Moody's. Federal Farm Credit Banks is rated AA+ by S&P and Aaa by Moody's. The Dreyfus Treasury Securities is rated Aaa-mf by Moody's and AAAm by S&P. The Fidelity Money Market is rated AAA-mf by Moody's and AAAm by S&P.

#### *CUSTODIAL CREDIT RISK*

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits. However, 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 waived by the government unit). The market value of pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies.

As of December 31, 2017 and 2016 all deposits were fully insured or collateralized.

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 investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or governmental investment pools (such as LAIF).

#### *DEPOSIT IN STATE INVESTMENT POOL*

The District is a voluntary participant in the Local Agency Investment Fund (LAIF). This investment fund has an equity interest in the State of California's (State's) Pooled Money Investment Account (PMIA). PMIA funds are on deposit with the State's Centralized Treasury System and are managed in compliance with the California Government Code according to a statement of investment policy which sets forth permitted investment vehicles, liquidity parameters, and maximum maturity of investments. 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 the LAIF for the entire LAIF portfolio (in relation to the amortized cost of the portfolio). The balance available for withdrawal is based on the accounting records maintained by the LAIF, which are recorded on an amortized cost basis.

**TRUCKEE DONNER PUBLIC UTILITY DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2017 and 2016

NOTE 2 – CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

*DEPOSIT IN PLACER COUNTY TREASURER INVESTMENT POOL*

The District is a voluntary participant in the Placer County Investment Portfolio (PCTIP). The District is eligible to participate in PCTIP because a portion of the District's service area is in Placer County. Investments are on deposit with the Placer County Treasurer and are managed in compliance with the California Government Code according to a statement of investment policy which sets forth permitted investment vehicles, liquidity parameters, and maximum maturity of investments. 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 Placer County Treasurer for the entire PCTIP (in relation to the amortized cost of the portfolio). The balance available for withdrawal is based on the accounting records maintained by the Placer County Treasurer, which are recorded on an amortized cost basis.

*DEPOSIT IN UTAH PUBLIC TREASURERS' INVESTMENT FUND*

The District is a voluntary participant in the Utah Public Treasurers' Investment Fund (UPTIF). The District is eligible to participate in (UPTIF) through its membership with Utah Associated Municipal Power Systems (UAMPS). Investments are on deposit with State of Utah public treasury and investments are restricted to those authorized by the Utah Money Management Act and rules of the Money Management Council of Utah. The fair value of the District's investments 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 UPTIF through UAMPS Member Retention Fund.

NOTE 3 – CAPITAL ASSETS

Capital assets consist of the following at December 31, 2017 and 2016:

	<u>January 1,</u> <u>2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31,</u> <u>2017</u>
Electric distribution facilities	\$ 58,345,690	\$ 2,191,342	\$ (120,111)	\$ 60,416,921
Water distribution facilities	108,860,825	4,898,966	(1,163,044)	112,596,747
General plant	15,062,278	988,813	(268,471)	15,782,620
	182,268,793	8,079,121	(1,551,626)	188,796,288
Less: Accumulated depreciation	(63,372,738)	(6,840,212)	1,649,716	(68,563,235)
Construction work in progress	4,706,276	5,554,478	(7,379,733)	2,881,021
Totals	<u>\$ 123,602,331</u>	<u>\$ 6,793,387</u>	<u>\$ (7,281,643)</u>	<u>123,114,074</u>

	<u>January 1,</u> <u>2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31,</u> <u>2016</u>
Electric distribution facilities	\$ 54,721,615	\$ 4,391,867	\$ (767,792)	\$ 58,345,690
Water distribution facilities	107,005,578	2,023,496	(168,249)	108,860,825
General plant	13,887,881	1,332,733	(158,336)	15,062,278
	175,615,074	7,748,096	(1,094,377)	182,268,793
Less: Accumulated depreciation	(58,042,448)	(6,485,285)	1,154,994	(63,372,738)
Construction work in progress	4,844,042	7,686,181	(7,823,947)	4,706,276
Totals	<u>\$ 122,416,668</u>	<u>\$ 8,948,992</u>	<u>\$ (7,763,330)</u>	<u>\$ 123,602,331</u>

# TRUCKEE DONNER PUBLIC UTILITY DISTRICT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

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### NOTE 3 – CAPITAL ASSETS (Continued)

As of December 31, 2017 and 2016, the plant in service included land and land rights of \$3,318,346 which are not being depreciated.

A portion of the plant has been contributed to the District. When replacement is needed, the District replaces the contributed plant with District-financed plant.

### NOTE 4 – TELECOMMUNICATION SERVICES

In 1999, the District initiated a project to expand their basic service offerings to include internet access, cable television and voice delivered over fiber optic networks (the broadband project). The District completed the broadband design project and obtained the necessary regulatory approvals and franchises needed to construct and launch the broadband project. A local cable television service provider filed an objection in September 2004 with the Nevada County Local Agency Formation Commission (LAFCO), the entity responsible for providing regulatory approval for the broadband project. After denying the cable television provider's request for a reconsideration of their approval of the District's project, the cable television provider filed a lawsuit against LAFCO. The District was not named in the lawsuit. A ruling on the lawsuit was received in January 2006. LAFCO prevailed on all portions of the cable television provider's claim. The cable television provider filed an appeal; however, in June of 2007, the Court ruled in favor of LAFCO, upholding the initial ruling.

Since 2009, the District has been exploring options to sell or lease the existing infrastructure to provide a return on investment in the project. Expenses incurred by the District to date on the broadband project total \$2,834,079, of which \$496,990 was expensed in 2014 for legal fees and preliminary feasibility studies. In 2017 and 2016 there were no material expenditures for this project.

In 2018, The District signed a Memorandum of Understanding with Plumas Sierra Telecommunications to offer services utilizing these four fibers from Reno to Sacramento in future years.

**TRUCKEE DONNER PUBLIC UTILITY DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2017 and 2016

**NOTE 5 – LONG-TERM DEBT**

Long-term debt consisted of the following at December 31, 2017:

	<u>January 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31, 2017</u>	<u>Due within one year</u>
Pension Obligation Bonds					
Electric, 2.47%					
due semi-annually to 2022	\$ 5,149,000	\$ -	\$ (404,000)	\$ 4,745,000	\$ 1,269,000
State Revolving Fund Loan –					
Water, 2.34%, due semi-annually					
beginning in 2006 to 2026.	6,786,402	-	(645,806)	6,140,596	661,006
Special Tax Bonds – Mello					
Roos, 4.18%, due					
serially to 2032	9,811,500	-	(308,800)	9,502,700	337,900
Special Tax Bonds – Mello					
Roos, 3.25% to 5.7%,					
due serially to 2035 (net					
unamortized discounts of \$82,754)	14,147,559	-	(255,313)	13,892,246	295,000
Special Tax Bonds – Mello					
Roos, 3.50% to 5.50%,					
due serially to 2035 (net					
unamortized discounts of \$9,144)	17,410,337	-	(354,481)	17,055,856	395,000
Certificates of Participation –					
Water, 4.00% to 5.00%,					
due serially to 2021					
refinanced in 2016	3,266,000	-	(632,000)	2,634,000	644,000
Certificates of Participation –					
Water, 2.00% to 4.00%,					
due serially to 2035 (net					
premiums of \$475,059)	13,997,077	-	(562,018)	13,435,059	550,000
Department of Water Resources,					
3.18%, due semiannually to					
2021, secured by real					
and personal property.	1,275,743	-	(268,092)	1,007,651	276,650
Installment loan, 4.58%					
due serially to 2023	374,548	-	(316,145)	58,403	10,658
Totals	<u>\$ 72,218,166</u>	<u>\$ -</u>	<u>\$ (3,746,655)</u>	<u>\$ 68,471,511</u>	<u>\$ 4,439,214</u>

**TRUCKEE DONNER PUBLIC UTILITY DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2017 and 2016

NOTE 5 – LONG-TERM DEBT (Continued)

Long-term debt consisted of the following at December 31, 2016:

	<u>January 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31, 2016</u>	<u>Due within one year</u>
Pension Obligation Bonds					
Electric, 5% due semi-annually to 2022 refinanced in 2016	\$ 5,584,000	\$ -	\$ (5,584,000)	\$ -	\$ -
Pension Obligation Bonds					
Electric, 2.47% due semi-annually	-	5,589,000	(440,000)	5,149,000	809,000
State Revolving Fund Loan –					
Water, 2.34%, due semi-annually beginning in 2006 to 2026	7,417,358	-	(630,956)	6,786,402	645,807
Special Tax Bonds – Mello					
Roos, 4.18%, due serially to 2032	10,090,500	-	(279,000)	9,811,500	308,800
Special Tax Bonds – Mello					
Roos, 3.25% to 5.7%, due serially to 2035 (net unamortized discounts of \$96,815)	14,392,872	-	(245,313)	14,147,559	260,000
Special Tax Bonds – Mello					
Roos, 3.50% to 5.50%, due serially to 2035 (net unamortized discounts of \$10,697)	17,744,819	-	(334,481)	17,410,337	355,000
Certificates of Participation –					
Water, 4.00% to 5.00%, due serially to 2021 refinanced in 2016	3,765,000	-	(3,765,000)	-	-
Certificates of Participation –					
Water, 1.54% due serially to 2021	-	3,266,000	-	3,266,000	632,000
Certificates of Participation –					
Water, 2.00% to 4.00%, due serially to 2035 (net premiums of \$502,077)	14,544,095	-	(547,018)	13,997,077	535,000
Department of Water Resources, 3.18%, due semiannually to 2021, secured by real and personal property.	1,535,448	-	(259,705)	1,275,743	268,092
Installment loans, 5.4% to 6.23%, various payment terms and due dates, secured by equipment.	673,789	-	(299,242)	374,548	316,144
Totals	<u>\$ 75,747,881</u>	<u>\$ 8,855,000</u>	<u>\$ (12,384,715)</u>	<u>\$ 72,218,166</u>	<u>\$ 4,129,843</u>

# TRUCKEE DONNER PUBLIC UTILITY DISTRICT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

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### NOTE 5 – LONG-TERM DEBT (Continued)

During April 2004, the District obtained financing in the form of a State Revolving Fund Loan, the proceeds of which were utilized in the replacement of the Donner Lake water system. The District submitted expenditures to the State for reimbursement of \$12,732,965. The semi-annual principal and interest payments are \$400,426 and commenced in 2006. In 2004, the remaining balance of \$12,227,122 was used to pay off the temporary lines of credit obtained in 2001 and 2002 to fund the Donner Lake project. (See note 8).

During December 2003, the Old Greenwood Community Facilities District issued \$12,445,000 of Special Tax Bonds, the net proceeds of which were utilized to finance various public improvements for property within Old Greenwood. (See note 7). The terms of the Special Tax Bonds call for debt service payments to be provided solely by taxes levied on and collected from the owners of the taxable land within Old Greenwood. The bonds are secured by land located within Old Greenwood.

In January 2014, the original 2003 bonds issued for the Old Greenwood Community Facilities District were refunded (refinanced) by issuing 2014 bonds to a private investment firm at a lower rate, saving the property owners in Old Greenwood over \$3 million over the term of the bonds. The 2014 bonds did not require a reserve fund. Therefore the reserve fund of the 2003 bonds was utilized to reduce the principal. The 2014 bonds have similar terms and have the same rate and method of apportionment for the Old Greenwood parcel owners as the original 2003 bonds.

During 2005 and 2004 respectively, the Gray's Crossing Community Facilities District issued \$15,375,000 and \$19,155,000 of Special Tax Bonds, the net proceeds of which were utilized to finance various public improvements for property within Gray's Crossing. (See note 7). The terms of the Special Tax Bonds call for debt service payments to be provided solely by taxes levied on and collected from the owners of the taxable land within Gray's Crossing. The bonds are secured by land located within Gray's Crossing.

On October 12, 2006, through the Truckee Donner Public Utility District Financing Corporation on behalf of the District issued \$26,570,000 of Certificates of Participation to refund 100% of the outstanding balance of Certificates issued in 1996, complete the funding of the Donner Lake Assessment District water system, and fund water system capital improvements. The refunding portion of the 2006 COP's, totaling \$8,465,000, has an average interest rate of 4.10%. The refunded 1996 COP's had an average interest rate of 5.41%. The net proceeds of \$7,500,557 (after payment of \$63,733 in underwriting fees, insurance and other issuance costs) plus an additional \$1,315,194 of reserve fund monies were used to prepay the outstanding debt service requirements on the 1996 COP's. The terms of the Certificates call for payments to be made only from the net revenues of the Water Division and the debt is secured by this revenue. These revenues are required to be at least equal to 125% of the debt service for each year.

In 2015, a portion of the 2006 COP was refunded. Since a portion of the 2006 COP was used for advance refunding of previous COP, that portion could not be advance refunded at the time of the refunding. The new 2015 refunding did not require a reserve fund. The reserve fund was liquidated and applied towards reducing the debt principal. The estimated net present value savings were \$1,600,000 or 10% over the remaining life of issuance.

In 2016, the remaining portion of the 2006 COP was refunded. Due to the refunding an estimated net present value savings of \$222,000 was achieved.

**TRUCKEE DONNER PUBLIC UTILITY DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2017 and 2016

NOTE 5 – LONG-TERM DEBT (Continued)

Under the Safe Drinking Water Bond Law of 1986, the Department of Water Resources provided a \$5,000,000 loan to the District in 1993. The loan was to finance capital improvements to the public water supply and to reduce water quality hazards. The terms of the loan call for payments to be made only from the net revenues of the Water Division, which are required to be sufficient to pay the debt service for each year.

In June 2011, the District refunded (refinanced) an existing \$7.8 million pension side fund obligation for its participation in CalPERS. Prior to 2011, the annual side fund payments were expensed and described in the Notes to Financial Statements. The pension side fund liability was amortized through June 2022 with a 7.75% rate. This liability was not required to be reported on the District’s Statement of Net Position, but the future pension expense was included in budget and rate calculations. The new refunding rate of 5% reduced the District’s annual pension costs by almost \$100,000 through 2022. In 2016, the District refunded the pension side fund again earning the District annual savings of \$30,000 or \$164,000 in total.

As a normal part of its operations, the District finances the acquisition of certain assets through the use of installment loans. These loans have been used to finance the purchase of vehicles, equipment, and certain water system improvements. There were no additional installment loans in 2017 or in 2016.

Scheduled payments on debt are:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 4,439,214	\$ 2,949,115	\$ 7,388,329
2019	4,263,421	2,768,928	7,032,349
2020	4,497,284	2,638,097	7,135,381
2021	4,579,633	2,491,654	7,071,287
2022	3,451,721	2,344,327	5,796,048
2023-2027	16,370,176	9,709,011	26,079,187
2028-2032	19,451,900	5,796,875	25,248,775
2033-2037	11,035,001	1,148,220	12,183,221
	<u>\$ 68,088,350</u>	<u>\$ 29,846,227</u>	<u>\$ 97,934,577</u>
Plus: Unamortized premiums	475,059		
Less: Unamortized discounts		(91,898)	
	<u>\$ 68,471,511</u>		

**TRUCKEE DONNER PUBLIC UTILITY DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2017 and 2016

**NOTE 6 – UNEARNED REVENUES**

Transactions that have not yet met revenue recognition requirements are recorded as a non-current liability and reflected in the accompanying Statement of Net Position. As of December 31, 2017 and 2016, unearned revenues consist of unearned special assessment revenues, development agreement deposits, connection fees, and other deposits.

Unearned revenues consisted of the following at December 31, 2017 and 2016:

	<b>January 1, 2017</b>	<b>Additions</b>	<b>Reductions</b>	<b>December 31, 2017</b>
Unearned tax revenues	\$ 1,661,841	\$ 1,582,326	\$ (1,661,841)	\$ 1,582,326
Development agreement deposits	2,237,331	1,134,433	(603,342)	2,768,422
Connection fees and other deposits	836,177	823,218	(773,741)	885,654
<b>Totals</b>	<b>\$ 4,735,348</b>	<b>\$ 3,539,977</b>	<b>\$ (3,038,923)</b>	<b>\$ 5,236,402</b>

	<b>January 1, 2016</b>	<b>Additions</b>	<b>Reductions</b>	<b>December 31, 2016</b>
Unearned tax revenues	\$ 1,628,346	\$ 1,661,840	\$ (1,628,346)	\$ 1,661,841
Development agreement deposits	2,156,844	644,922	(564,436)	2,237,331
Connection fees and other deposits	1,069,865	987,610	(1,221,299)	836,177
<b>Totals</b>	<b>\$ 4,855,055</b>	<b>\$ 3,294,373</b>	<b>\$ (3,414,080)</b>	<b>\$ 4,735,348</b>

**NOTE 7 – COMMUNITY FACILITIES DISTRICTS**

In order to finance various public improvements needed to develop property within the Town of Truckee, California, the District formed Community Facilities Districts (CFD), which issued Special Tax Bonds pursuant to the Mello-Roos Community Facilities Act of 1982, as amended. Accordingly, the Bonds are special obligations of the respective Community Facilities Districts and are payable solely from revenues derived from taxes levied on and collected from the owners of the taxable land within the respective Community Facilities Districts. These Special Tax Bonds are not general or special obligations of the District. The Board of Directors of the District is the legislative body of the Communities Facilities Districts and as such they approve the rates and method of apportionment of the special taxes. As improvements were completed, the infrastructure was donated in the form of a capital contribution to the Town of Truckee, the Truckee Sanitary District, Southwest Gas, and the District.

In December 2003, the Community Facilities District No. 03-1 (Old Greenwood) was formed and issued \$12,445,000 in Special Tax Bonds (the 03-1 Bonds). In January 2014, the original 2003 bonds were refunded (refinanced) by issuing 2014 bonds to a private investment firm at a lower rate, saving the property owners in Old Greenwood over \$3 million over the term of the bonds. The 2014 bonds have similar terms and have the same rate and method of apportionment for the Old Greenwood parcel owners as the original 2003 bonds.

During 2017 and 2016 respectively, taxes of \$682,485 and \$683,949 were levied by Old Greenwood. Of these amounts, \$341,243 and \$341,974 relate to 2017 and 2016 respectively, and accordingly are included in tax revenues in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. The remaining amount will be recognized in future periods and are included in unearned revenues on the accompanying Statement of Net Position.

# TRUCKEE DONNER PUBLIC UTILITY DISTRICT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

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### NOTE 7 – COMMUNITY FACILITIES DISTRICTS (Continued)

In September 2004, the Community Facilities District No. 04-1 (Gray's Crossing) was formed and issued \$15,375,000 in Special Tax Bonds (the 04-1 Bonds). In 2005, an additional \$19,155,000 (2005 Series) in Special Tax Bonds was issued for the Gray's Crossing CFD. During the county tax roll for 2017 and 2016, taxes of \$2,482,166 and \$2,639,731 respectively were levied by Gray's Crossing. Of this amount, \$1,241,083 and \$1,319,866 relate to 2017 and 2016 respectively, and accordingly, are included in tax revenues. The remaining levied amount through the county tax roll will be recognized in future periods and is included in unearned revenues on the accompanying Statement of Net Position.

The official statements and continuing disclosures may be viewed on the web site of Electronic Municipal Market Access (EMMA) of the Municipal Securities Rulemaking Board (MSRB), <http://emma.msrb.org/>. The Committee on Uniform Securities Identification Procedures number (CUSIP) for these special tax bonds is CUSIP 897817.

### NOTE 8 – DONNER LAKE WATER COMPANY ACQUISITION

In 2001, the District acquired the Donner Lake Water Company by initiating an eminent domain lawsuit. As a part of the takeover, the District replaced the entire water system, which cost approximately \$15.6 million and was completed in 2006. The District initially estimated the replacement cost to be \$13 million. The Donner Lake property owners agreed to reimburse the District for the full costs of the replacement. Therefore, an assessment was placed on each Donner Lake homeowner's property for a pro-rata share of the \$13 million payable immediately or with an option to pay over 20 years. The assessment is collected by Nevada County and Placer County on behalf of the District and is secured by the Donner Lake property owners. A monthly \$6.65 water system upgrade surcharge is paid by the Donner Lake customers to reimburse the District for the \$2.6 million cost incurred in excess of the assessment.

In April 2004, the District obtained financing in the form of a State Revolving Fund Loan for \$12,732,965 at a rate of 2.34%. The District is required to fund a reserve account by making semi-annual reserve payments in the amount of \$40,043 for a 10-year period. The reserve fund is fully funded as of December 31, 2016.

As of December 31, 2017 and 2016, the assessment receivable from the property owners was \$3,005,178 and \$3,692,876 respectively, of which \$736,020 and \$714,622 is due in the next year. These amounts are shown as Special Assessments Receivable in the Statement of Net Position. The proceeds of the assessment and surcharge are placed in the Donner Lake Special Assessment District Improvement Fund and used to pay the debt service for the water system improvements.

**TRUCKEE DONNER PUBLIC UTILITY DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2017 and 2016

NOTE 9 – EMPLOYEE BENEFIT PLANS

A. PENSION PLANS

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

**Benefits Provided** – CalPERS provides service retirement and disability benefits, annual costs of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefits is Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law. The 2.7% at 55 Miscellaneous Plan is closed to new entrants.

The plans’ provisions and benefits in effect at December 31, 2017 are summarized as follows:

	<b>Miscellaneous</b>	
<b>Hire Date</b>	<b>Prior to January 1, 2013</b>	<b>On or after January 1, 2013</b>
<b>Benefit Formula</b>	2.7% @ 55	2% @ 62
<b>Benefit Vesting Schedule</b>	5 years service	5 years service
<b>Benefit Payments</b>	monthly for life	monthly for life
<b>Retirement Age</b>	50 and Up	52 and Up
<b>Monthly Benefits, as a % of eligible compensation</b>	2.0% - 2.7%	1.0% to 2.5%
<b>Required Employee Contributions Rates</b>	8%	6.25%
<b>Required Employer Contributions Rates</b>	11.049%	6.533%

**Contributions** – Section 208149(c) of the California Public Employee’s 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. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Contributions shown below are for the fiscal year of July 1, 2016 through June 30, 2017.

	<b>Miscellaneous</b>	
<b>Hire Date</b>	<b>Prior to January 1, 2013</b>	<b>On or after January 1, 2013</b>
<b>Benefit Formula</b>	2.7% @ 55	2% @ 62
<b>2017 Employer Contributions</b>	\$1,044,745	\$94,014
<b>2016 Employer Contributions</b>	\$979,835	\$69,062

**TRUCKEE DONNER PUBLIC UTILITY DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2017 and 2016

NOTE 9 – EMPLOYEE BENEFIT PLANS (Continued)

**B. PENSION LIABILITIES, PENSION EXPENSES AND DEFERRED OUTFLOWS/INFLOWS OF RESOURCES RELATED TO PENSIONS**

As of December 31, 2017, the District reported net pension liabilities for its proportionate shares of the net pension liability as follows:

<b><u>Proportionate Share of Net Pension Liability</u></b>	
<b><u>Fiscal Year Ending</u></b>	
<u>June 30, 2017</u>	<u>June 30, 2016</u>
\$11,975,655	\$10,250,329

The District's net pension liability is measured as a proportionate share of the net pension liability. The net pension liability is measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. 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 for the measurement date of June 30, 2017 and June 30, 2016 is as follows:

<b>Measurement Date</b>	<b><u>Percentage Share of Risk Pool</u></b>		<b>Change</b>
	<u>June 30, 2017</u>	<u>June 30, 2016</u>	
Percentage of Plan NPL	0.30379%	0.29837%	0.00542%

For the years ended December 31, 2017 and 2016 the District recognized pension expense of \$2,269,611 and \$1,180,590 respectively. At December 31, 2017 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Changes of assumptions	\$1,796,684	
Differences between expected and actual experience		(208,908)
Differences between projected and actual investment earnings	439,877	
Differences between employer's contributions and proportionate share of contributions		(343,024)
Change in employer's proportion	544,250	
Pension contributions made subsequent to the measurement date	870,580	
<b>Total</b>	<b>\$3,651,391</b>	<b>(\$551,932)</b>

**TRUCKEE DONNER PUBLIC UTILITY DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2017 and 2016

NOTE 9 – EMPLOYEE BENEFIT PLANS (Continued)

B. PENSION LIABILITIES, PENSION EXPENSES AND DEFERRED OUTFLOWS/INFLOWS OF RESOURCES RELATED TO PENSIONS (*Continued*)

\$870,580 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 December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended</u> <u>December 31</u>	<u>Amount</u>
2018	\$699,571
2019	\$1,107,687
2020	\$682,783
2021	(\$261,163)
	<u>\$2,228,878</u>

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

	<b>Miscellaneous 2017</b>
<b>Valuation Date</b>	June 30, 2016
<b>Measurement Date</b>	June 30, 2017
<b>Actuarial Cost Method</b>	Entry-Age Normal Cost Method
<b>Actuarial Assumptions:</b>	
<b>Discount Rate</b>	7.15%
<b>Inflation</b>	2.75%
<b>Payroll Growth</b>	3.00%
<b>Salary Increase</b>	Varies by Entry Age and Service
<b>Investment Rate of Return</b>	7.15% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
<b>Mortality (1)</b>	Derived using CalPERS membership data for all funds

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

All underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2017 valuation were based on results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 9 – EMPLOYEE BENEFIT PLANS (Continued)

B. PENSION LIABILITIES, PENSION EXPENSES AND DEFERRED OUTFLOWS/INFLOWS OF RESOURCES RELATED TO PENSIONS (Continued)

**Discount Rate** - The discount rate used to measure the total pension liability as of December 31, 2017 was 7.15%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15% discount rate used is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown below was adopted by CalPERS' Board effective on June 30, 2017.

<b>Asset Class</b>	<b>New Strategic Allocation</b>
Global Equity	46.0%
Private Equity	8.0%
Global Debt Securities	20.0%
Real Assets	13.0%
Liquidity	4.0%
Inflation	9.0%
Total	100.0%

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 9 – EMPLOYEE BENEFIT PLANS (Continued)

B. PENSION LIABILITIES, PENSION EXPENSES AND DEFERRED OUTFLOWS/INFLOWS OF RESOURCES RELATED TO PENSIONS (Continued)

**Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - The following presents the District's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% point lower or 1% point higher than the current rate:

<b>Miscellaneous</b>	
Measurement Date	June 30,2017
<b>1% Decrease</b>	6.15%
Net Pension Liability	\$18,386,901
<b>Current Discount Rate</b>	7.15%
Net Pension Liability	\$11,975,655
<b>1% Increase</b>	8.15%
Net Pension Liability	\$6,665,743

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

C. PAYABLE TO THE PENSION PLAN

At December 31, 2017 and 2016 respectively the District did not report a payable for outstanding required contributions to the pension plan.

D. DEFERRED COMPENSATION PLAN

The District maintains two deferred compensation plans: a 401(a) and a 457 plan, (the Plans) for certain qualified employees. The District matches 6.78% of eligible employee contributions. In 2017 and 2016, the total match was \$106,332 and \$91,066 in the respective years. The District has no liability for losses under the Plans, but does have the duty of due care that would be required of an ordinary prudent investor. The District has not reflected the Plans' assets and corresponding liabilities (if any) on the accompanying Statement of Net Position.

# TRUCKEE DONNER PUBLIC UTILITY DISTRICT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

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### NOTE 9 – EMPLOYEE BENEFIT PLANS (Continued)

#### E. OTHER POST EMPLOYMENT BENEFITS (OPEB)

The District administers a single-employer defined benefit healthcare plan (The Retiree Health Plan). Contribution requirements and benefit provisions are established through collective bargaining agreements and may be amended only through negotiations between the District and the Union. The plan provides health insurance contributions for eligible retirees and their spouses through the District's group health insurance plan, which covers both active and retired members. Health insurance includes medical insurance, dental insurance, and prescriptions. The Retiree Health Plan does not issue a publicly available financial report.

Post-employment health care is available to all employees, and qualified dependents, that retire from the District with at least 10 years of service. As of June 30, 2017, there were fifty eight participants including dependents. The monthly amount paid by the District is capped at \$475 for each participant or \$375 for each participant eligible for Medicare. For participants with less than 20 years of service, the benefit is reduced by 5% for each year. Expenditures for post-employment health care benefits are recognized when premiums are paid.

On November 7, 2007, the Board approved a participation agreement with CalPERS to be the plan administrator for the District's other post-employment benefit (OPEB) trust. The participation agreement was submitted to CalPERS on November 8, 2007, and became effective on January 15, 2008. At that time, accumulated deposits from the prior year, plus accrued interest, were transferred to the California Employers' Retiree Benefit Trust Program (CERBT).

The funds of the Retiree Health Plan are invested in CERBT, which is a tax qualified trust organized under Internal Revenue Code (IRC) Section 115. Participation in the trust is limited to those agencies who qualify as "government" entities under that IRC section. The CERBT is an irrevocable trust established for the purpose of receiving employer contributions to prefund health and other postemployment benefits for retirees and their beneficiaries. The CERBT administrative costs are financed through investment earnings. Copies of the CalPERS' comprehensive annual financial report, that includes CERBT investment performance, may be obtained from:

California Public Employees' Retirement System  
400 Q Street  
P.O. Box 942701  
Sacramento, CA 94229-2701  
Tel. 888-225-7377  
<http://www.calpers.ca.gov>

The District's annual OPEB expense is calculated based on the Annual Required Contribution (ARC), an amount actuarially determined in accordance within the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year. The plan's unfunded actuarial accrued liability prior to June 30, 2017 is being amortized as a level percentage of projected payrolls on an open basis, over a period not to exceed 30 years, using the entry age normal cost method. The June 30, 2017 unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis, over a 20 year period, using the actuarial cost method.

**TRUCKEE DONNER PUBLIC UTILITY DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2017 and 2016

NOTE 9 – EMPLOYEE BENEFIT PLANS (Continued)

E. OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

The District's annual OPEB cost is recognized in the District's operating expenses. The following table shows the components of the amount actually contributed to the plan, and changes in the net OPEB obligation to the Retiree Health Plan:

Fiscal Year Ended*	Annual Required Contribution (ARC)	Interest and Adjustments	Annual OPEB Cost	Actual Contribution	% of Annual OPEB Cost Contributed	Change in Net OPEB Obligation (Asset)	OPEB Obligation (Asset) Beginning	Net OPEB Obligation (Asset) Ending
06/30/2012	\$ 276,800	\$ 66,671	\$ 343,471	\$ 285,005	83.0%	\$ 58,466	\$ (66,671)	\$ (8,205)
06/30/2013	\$ 267,800	\$ 628	\$ 268,428	\$ 304,556	113.5%	\$ (36,128)	\$ (8,205)	\$ (44,333)
06/30/2014	\$ 267,800	\$ -	\$ 267,800	\$ 268,498	100.3%	\$ (698)	\$ (44,333)	\$ (45,031)
06/30/2015	\$ 647,851		\$ 647,851	\$ 274,029	42.3%	\$ 373,822	\$ (45,031)	\$ 328,791
06/30/2016	\$ 665,667		\$ 665,667	\$ 275,241	41.3%	\$ 390,426	\$ 328,791	\$ 719,217
06/30/2017	\$ 683,973		\$ 683,973	\$ 286,622	41.9%	\$ 397,351	\$ 719,217	\$ 1,116,568

Actuarial valuations of an ongoing plan are required at least once every three years and involve estimates for the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

Significant actuarial assumptions used for the valuation as of July 1, 2015 include:

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Five-year smoothing formula with a 20% corridor around market value
Discount Rate	7.0%
General Inflation	2.75% Annual Increase
Amortization of Unfunded Liability	Closed 30 years; level percent for initial UAAL Open 20 years; level percent for residual UAAL

**TRUCKEE DONNER PUBLIC UTILITY DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2017 and 2016

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NOTE 9 – EMPLOYEE BENEFIT PLANS (Continued)

E. OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

The following is a funding schedule for the Retiree Health Plan:

**Schedule of Retiree Health Plan Funding Progress**

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<b>Valuation Date*</b>	<b>Accrued Liabilities (AL)</b>	<b>Actuarial Value of Assets (AVA)</b>	<b>Unfunded Liabilities (UL)</b>	<b>Funded Ratio (AVA/AL)</b>	<b>Annual Covered Payroll</b>	<b>UL as a % of Payroll</b>
01/01/2011	\$ 2,501,800	\$ 645,700	\$ 1,856,100	25.8%	\$ 6,307,400	29.4%
07/01/2011	\$ 2,657,000	\$ 661,400	\$ 1,995,600	24.9%	\$ 6,226,000	32.1%
07/01/2013	\$ 2,960,600	\$ 1,079,900	\$ 1,880,700	36.5%	\$ 6,409,000	29.3%
07/01/2015	\$ 6,755,593	\$ 1,579,982	\$ 5,175,611	23.4%	\$ 6,360,511	81.4%

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\*Valuations are required once every two years. In 2011, the valuation date changed to July 1 in compliance with GASB Statement No. 57.

The actuarial valuation issued July 1, 2015 had a significant increase in accrued liability of \$3.8 million due to a new Actuarial Standard of Practice 6 that became effective for valuations after March 1, 2015 that requires valuing an “implicit rate subsidy”. Though the District has an employer cap on retiree benefits, the liability of providing them based on the expected premiums of the plan are now required to be recognized in the actuarial valuation to guarantee the stability of the plan for the long run which nearly doubled the normal costs and liabilities.

NOTE 10 – SELF FUNDED INSURANCE

The District has a self-funded vision insurance program and claims were processed by and on behalf of the District. The District did not maintain a claim liability; rather claims were expensed as paid. The amount of claims paid for each of the past three years have not been material.

**TRUCKEE DONNER PUBLIC UTILITY DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2017 and 2016

NOTE 11 – SEGMENT DISCLOSURE

The District has issued revenue bonds to finance electric and water distribution facilities. The District also issued special tax bonds secured by tax revenues from Mello-Roos Community Facilities Districts. Each project has an external requirement to be reported separately, and investors in the revenue bonds and special tax bonds rely solely on the revenue generated by the individual projects for repayment. Summary financial information for each project is presented on the following pages for the years ending December 31, 2017 and 2016.

*STATEMENT OF NET POSITION*

	<b>December 31, 2017</b>			
	<b>Electric</b>	<b>Water</b>	<b>Gray's Crossing</b>	<b>Old Greenwood</b>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>				
Current assets	\$ 23,717,604	\$ 10,085,811	\$ 8,932,129	\$ 1,073,922
Non-current assets:				
Capital assets, net	48,257,502	74,856,572	-	-
Restricted assets	-	1,818,513	-	-
Other long-term assets	843,086	3,005,178	-	-
Total Noncurrent Assets	<u>49,100,588</u>	<u>79,680,263</u>	<u>-</u>	<u>-</u>
Deferred outflows of resources				
Pension	2,190,835	1,460,556	-	-
Unamortized loss on refunding	-	576,778	-	-
Unamortized redemption premium	122,673	-	-	-
	<u>2,313,508</u>	<u>2,037,334</u>	<u>-</u>	<u>-</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 75,131,700</u>	<u>\$ 91,803,408</u>	<u>\$ 8,932,129</u>	<u>\$ 1,073,922</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>				
Current liabilities	\$ 4,702,463	\$ 2,742,557	\$ 1,255,338	\$ 470,304
Non-current Liabilities				
Long-term debt, net of current portion	3,523,745	21,085,650	30,258,102	9,164,800
Net pension liability	7,185,392	4,790,263	-	-
OPEB liability	669,941	446,627	-	-
Unearned revenues	2,612,137	1,041,939	1,241,083	341,243
Total Noncurrent Liabilities	<u>13,991,215</u>	<u>27,364,479</u>	<u>31,499,185</u>	<u>9,506,043</u>
Total Liabilities	<u>18,693,678</u>	<u>30,107,036</u>	<u>32,754,523</u>	<u>9,976,347</u>
Deferred inflows of resources				
Pension	331,159	220,773	-	-
Total Deferred Inflows of Resources	<u>331,159</u>	<u>220,773</u>	<u>-</u>	<u>-</u>
Net Position				
Net investment in capital assets	43,501,844	52,216,044	(30,948,102)	(9,502,700)
Restricted for debt service	1,842,553	4,576,780	2,869,617	-
Unrestricted	10,762,466	4,682,775	4,256,091	600,275
Total Net Position	<u>56,106,863</u>	<u>61,475,599</u>	<u>(23,822,394)</u>	<u>(8,902,425)</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u>\$ 75,131,700</u>	<u>\$ 91,803,408</u>	<u>\$ 8,932,129</u>	<u>\$ 1,073,922</u>

**TRUCKEE DONNER PUBLIC UTILITY DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2017 and 2016

NOTE 11 – SEGMENT DISCLOSURE (Continued)

December 31, 2016				
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>Electric</b>	<b>Water</b>	<b>Gray's Crossing</b>	<b>Old Greenwood</b>
Current assets	\$ 19,438,054	\$ 9,475,927	\$ 8,633,555	\$ 1,128,060
Non-current assets:				
Capital assets, net	47,660,186	75,942,145	-	-
Restricted assets	-	1,876,032	-	-
Other long term assets	925,520	3,692,876	-	-
Total Noncurrent Assets	48,585,706	81,511,053	-	-
Deferred outflows of resources				
Pension	2,403,030	1,602,020	-	-
Unamortized loss on refunding	-	609,580	-	-
Unamortized redemption premium	149,934	-	-	-
Total Deferred Outflows of Resources	2,552,964	2,211,600	-	-
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 70,576,724</b>	<b>\$ 93,198,580</b>	<b>\$ 8,633,555</b>	<b>\$ 1,128,060</b>
<b>AND NET POSITION</b>				
Current liabilities	\$ 4,312,570	\$ 2,949,891	\$ 1,190,466	\$ 445,507
Non-current Liabilities				
Long-term debt, net of current portion	4,398,403	23,244,323	30,942,897	9,502,700
Net pension liability	6,150,197	4,100,132	-	-
OPEB liability	431,530	287,687	-	-
Unearned revenues	2,587,458	486,049	1,319,866	341,975
Total Noncurrent Liabilities	13,567,588	28,118,191	32,262,763	9,844,675
Total Liabilities	17,880,158	31,068,082	33,453,229	10,290,182
Deferred inflows of resources				
Pension	958,276	638,850	-	-
Total Deferred Inflows of Resources	958,276	638,850	-	-
Net Position				
Net investment in capital assets	42,500,995	50,920,550	(31,557,897)	(9,811,500)
Restricted for debt service	1,316,355	4,695,114	2,761,540	-
Unrestricted	7,920,940	5,875,984	3,976,683	649,378
Total Net Position	51,738,290	61,491,648	(24,819,674)	(9,162,122)
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>\$ 70,576,724</b>	<b>\$ 93,198,580</b>	<b>\$ 8,633,555</b>	<b>\$ 1,128,060</b>

**TRUCKEE DONNER PUBLIC UTILITY DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2017 and 2016

NOTE 11 – SEGMENT DISCLOSURE (Continued)

*STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION*

	Year ended December 31, 2017			
	<u>Electric</u>	<u>Water</u>	<u>Gray's Crossing</u>	<u>Old Greenwood</u>
Operating Revenues				
Sales to consumers	\$ 22,660,258	\$ 11,801,888	\$ -	\$ -
Other operating revenues	5,046,862	538,960	-	-
Operating expenses	22,108,454	8,774,652	-	-
Depreciation	2,624,534	3,907,106	-	-
Non-operating revenues (expenses)	140,304	(517,830)	997,280	259,697
Income (loss) before capital & other contributions	3,114,436	(858,740)	997,280	259,697
Capital contributions, net	1,254,137	842,691	-	-
<b>CHANGE IN NET POSITION</b>	<b>4,368,573</b>	<b>(16,049)</b>	<b>997,280</b>	<b>259,697</b>
Net Position, Beginning	51,738,290	61,491,648	(24,819,674)	(9,162,122)
<b>NET POSITION, ENDING</b>	<b>\$ 56,106,863</b>	<b>\$ 61,475,599</b>	<b>\$ (23,822,394)</b>	<b>\$ (8,902,425)</b>

  

	Year ended December 31, 2016			
	<u>Electric</u>	<u>Water</u>	<u>Gray's Crossing</u>	<u>Old Greenwood</u>
Operating Revenues				
Sales to consumers	\$ 21,713,614	\$ 11,312,973	\$ -	\$ -
Other operating revenues	3,357,601	749,177	-	-
Operating expenses	(20,222,867)	(8,171,428)	-	-
Depreciation	(2,576,192)	(3,660,841)	-	-
Non-operating revenues (expenses)	12,076	(700,499)	948,876	253,654
Income (loss) before capital & other contributions	2,284,232	(470,618)	948,876	253,654
Capital contributions, net	1,111,440	587,670	-	-
<b>CHANGE IN NET POSITION</b>	<b>3,395,672</b>	<b>117,052</b>	<b>948,876</b>	<b>253,654</b>
Net Position, Beginning	48,342,618	61,374,596	(25,768,550)	(9,415,776)
<b>NET POSITION, ENDING</b>	<b>\$ 51,738,290</b>	<b>\$ 61,491,648</b>	<b>\$ (24,819,674)</b>	<b>\$ (9,162,122)</b>

**TRUCKEE DONNER PUBLIC UTILITY DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2017 and 2016

NOTE 11 – SEGMENT DISCLOSURE (Continued)

*STATEMENTS OF CASH FLOWS*

	Year ended December 31, 2017			
	Electric	Water	Gray's Crossing	Old Greenwood
<b>NET CASH PROVIDED BY (USED IN)</b>				
Operating activities	\$ 6,624,835	\$ 3,545,750	\$ -	\$ -
Noncapital financing activities	(467,590)	-	-	-
Capital and related financing activities	(2,328,476)	(3,723,773)	213,162	(61,629)
Investing activities	181,261	295,975	50,859	3,456
<b>Net increase (decrease) in cash and cash equivalents</b>	4,010,030	117,952	264,021	(58,173)
Cash and Cash Equivalents, Beginning	15,439,826	7,485,574	2,900,712	434,842
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<u>\$ 19,449,856</u>	<u>\$ 7,603,526</u>	<u>\$ 3,164,733</u>	<u>\$ 376,669</u>

	Year ended December 31, 2016			
	Electric	Water	Gray's Crossing	Old Greenwood
<b>NET CASH PROVIDED BY (USED IN)</b>				
Operating activities	\$ 5,549,180	\$ 3,719,688	\$ -	\$ -
Noncapital financing activities	(921,171)	-	-	-
Capital and related financing activities	(2,233,583)	(6,189,302)	(176,260)	(54,474)
Investing activities	114,807	292,186	9,184	2,786
<b>Net increase (decrease) in cash and cash equivalents</b>	2,509,233	(2,177,428)	(167,076)	(51,688)
Cash and Cash Equivalents, Beginning	12,930,593	9,663,002	3,067,788	486,530
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<u>\$ 15,439,826</u>	<u>\$ 7,485,574</u>	<u>\$ 2,900,712</u>	<u>\$ 434,842</u>

# TRUCKEE DONNER PUBLIC UTILITY DISTRICT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

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### NOTE 12 – MARTIS VALLEY GROUNDWATER MANAGEMENT EFFORTS

The Martis Valley aquifer underlies about 35,000 acres in both Placer and Nevada counties, near the Town of Truckee. It is the main water supply for numerous public and private entities. This area has seen significant growth in the last few decades with more planned for the future. Maintaining an adequate water supply and protecting water quality are critical for the region's future.

The Truckee Donner Public Utility District (TDPUD), Northstar Community Services District (NCSD) and Placer County Water Agency (PCWA) are the three primary public water agencies in the Martis Valley Basin. Together, the TDPUD, NCSD and PCWA (Partnership Agencies) partnered to submit a groundwater management plan and to help develop a groundwater model for the Martis Valley basin.

The Martis Valley Groundwater Management Plan (GMP) was prepared in 2015 to reflect current water resources planning in the region and to incorporate the latest information and understanding of the underlying groundwater basin. This collaborative effort provided the guidance necessary to align groundwater policy. In addition to the groundwater management plan, a computer model of the groundwater basin was developed by the Desert Research Institute, which incorporated available data and enhanced understanding of the groundwater basin. A climate change modeling component was part of the overall Federal study effort.

Partner agencies each adopted the Groundwater Management Plan (GMP) in February 2012 and the model and associated report was completed in 2015. The total cost of the project was approximately \$1,000,000, which includes federal funding of approximately \$500,000 from the U.S. Bureau of Reclamation and \$250,000 from the Lawrence Livermore National Laboratory; and contributions of \$150,000 from TDPUD and \$100,000 from the other members of the Partnership Agencies.

In mid 2016, the California Sustainable Groundwater Management Act of 2014 (SGMA) took effect for which the District was the submitting agency of a SGMA Alternate Submittal in December, 2016 on behalf of the Town of Truckee, Placer County, Nevada County, PCWA, and Northstar CSD (Local SGMA Agencies). The SGMA Alternative Submittal is intended to comply with the new regulations. There was an adopted MOA amongst the six local agencies for this compliance project which covers the time period for preparation of the SGMA Alternative Submittal, possible conditional acceptance of the plan by DWR, and submittal of a first-year annual report. DWR has two years by statute to review the SGMA Alternative Submittal and, as of the date the financial statements were available to be issued, has not formally responded.

### NOTE 13 – CLAIMS AND JUDGMENTS

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

### NOTE 14 – RISK MANAGEMENT

The utility is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. These risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded the commercial liability in any of the past three years. There were no significant reductions in coverage compared to the prior year

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## **Report of Independent Auditors 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  
Truckee Donner Public Utility District

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 consolidated financial statements of Truckee Donner Public Utility District (the District), which comprise the consolidated statements of net position as of December 31, 2017, and the related consolidated statements revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated May 25, 2018.

### **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 entity'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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Moss Adams LLP".

Portland, Oregon  
May 25, 2018



## **Report of Independent Auditors on Compliance for the Major Federal Program and Report on Internal Control Over Compliance, Required by the Uniform Guidance**

To the Board of Directors  
Truckee Donner Public Utility District

### **Report on Compliance for Major Federal Program**

We have audited Truckee Donner Public Utility 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 the District's major federal program for the year ended December 31, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 U.S. *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 the major federal program. However, our audit does not provide a legal determination of the District's compliance.

### ***Opinion on the Major Federal Program***

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended December 31, 2017.

### **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 of 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 each 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.



Portland, Oregon  
May 25, 2018

**Truckee Donner Public Utility District  
Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2017**

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**Section I - Summary of Auditor's Results**

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**Financial Statements**

Type of report the auditor issued on whether the consolidated financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None reported
- Noncompliance material to financial statements noted?  Yes  No

**Federal Awards**

Internal control over major federal programs:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

Yes  No

Identification of major federal programs and type of auditor's report issued on compliance for major federal programs:

<i>CFDA Numbers</i>	<i>Name of Federal Program or Cluster</i>	<i>Type of Auditor's Report Issued on Compliance for Major Federal Programs</i>
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)	Unmodified

Dollar threshold used to distinguish between type A and type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

Yes  No

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**Section II - Financial Statement Findings**

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None reported

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**Section III - Federal Award Findings and Questioned Costs**

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None reported

**TRUCKEE DONNER PUBLIC UTILITY DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
December 31, 2017

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SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS

Year ended December 31, 2017

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Federal Grantor/Pass-through Grantor Program Title	CFDA Number	Agency or Pass-through Number	Expenditures
Department of Homeland Security - Federal Emergency Management Agency California Governor's Office of Emergency Services Public Assistance Grants (Presidentially Declared Disasters)	97.036	FEMA 4301-DR-CA, Cal OES ID: 057-91013	\$ 693,825
Department of Homeland Security - Federal Emergency Management Agency California Governor's Office of Emergency Services Public Assistance Grants (Presidentially Declared Disasters)	97.036	FEMA-4308-DR-Ca, Cal OES ID: 057-91013	\$ 239,011
Total Federal Awards Expended			<u>\$ 932,836</u>

*See Accompanying Notes to Schedule of Expenditures of Federal Awards*

# TRUCKEE DONNER PUBLIC UTILITY DISTRICT

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2017

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### NOTE 1 – PURPOSE OF THE SCHEDULE

The accompanying schedule of expenditures of federal awards (the Schedule) is a supplementary schedule to the basic financial statements for the District, and is presented for purposes of additional analysis. Because the Schedule presents only a selected portion of the activities for the District, it is not intended to, and does not present either the financial position, changes in balances or the operating revenues and expense for the District.

### NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

#### A. BASIS OF PRESENTATION

The information in the schedule is presented in accordance with the Uniform Guidance.

#### B. FEDERAL FINANCIAL ASSISTANCE

Pursuant to the Uniform Guidance, federal financial assistance is defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance, or direct appropriations. Federal financial assistance does not include direct federal cash assistance to individuals, or solicited contracts between the state and federal government through which the federal government procures tangible goods or services are not considered to be federal financial assistance. During 2017, the federal financial assistance Truckee Donner Public Utility District received was in the form of grants from the Department of Homeland Security.

#### C. MAJOR PROGRAMS

The Uniform Guidance establishes criteria to be used in identifying major federal programs. Major programs for the District are those selected for testing by the auditor, using a risk assessment model, as well as certain minimum expenditure requirements, as outlined in the Uniform Guidance. Programs with similar requirements may be grouped for testing purposes.

#### D. REPORTING ENTITY

The reporting entity is fully described in Note 1 of the Basic Financial Statements. Additionally, the Schedule includes all federal programs administered by Truckee Donner Public Utility District for the year ended December 31, 2017.

#### E. REVENUE AND EXPENSE RECOGNITION

The accounting principle used for revenue and expense recognition is maintained on the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when incurred. Grantor agency guidelines require that the entire amount of the assistance be recognized on the Schedule in the year the award was appropriated. All expenses submitted to the grantor agency were incurred in the year ended December 31, 2017. The District did not utilize the 10 percent *de-minimus* indirect cost rate as allowed under Uniform Guidance.

**REQUIRED SUPPLEMENTARY INFORMATION**

**TRUCKEE DONNER PUBLIC UTILITY DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
December 31, 2017 and 2016

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**COST SHARING DEFINED BENEFIT PENSION PLANS**

**Schedule of the District's Proportionate Share of the Net Pension Liability**

Cost Sharing Defined Benefit Plans

As of June 30  
Last Ten Years\*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Portion of Net Pension Liability	0.30379%	0.29837%	0.29209%	0.09982%
Proportionate Share of The Net Pension Liability	\$11,975,655	\$10,250,329	\$8,013,400	\$6,210,985
Covered - Employee Payroll	\$7,108,563	\$6,670,248	\$6,162,431	\$6,278,545
Proportionate Share of the Net Pension Liability as Percentage of Covered Payroll	168.47%	153.67%	130.04%	98.92%
Plan's Fiduciary Net Position	\$27,244,095	\$30,950,578	\$30,725,516	\$30,386,101
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	73.31%	75.12%	79.31%	89.17%

\* Fiscal year 2014 was the 1st year of implementation, therefore only four years are shown

**TRUCKEE DONNER PUBLIC UTILITY DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
December 31, 2017 and 2016

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**Schedule of Contributions**

Cost Sharing Defined Benefit Plans

As of June 30  
Last Ten Years\*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution (Actuarially Determined)	\$1,138,758	\$1,011,908	\$950,147	\$943,118
Contributions in Relation to the Actuarially Determined Contributions	\$1,138,758	\$1,048,897	\$949,634	\$943,118
Contribution deficiency (excess)	(\$0)	(\$36,989)	\$513	\$0
Covered - Employee Payroll	\$7,108,563	\$6,670,248	\$6,162,431	\$6,278,545
Contributions as a percentage of covered-employee payroll	16%	16%	15%	15%

\* Fiscal year 2014 was the 1st year of implementation, therefore only four years are shown

**TRUCKEE DONNER PUBLIC UTILITY DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION**

December 31, 2017 and 2016

**POSITION OF OTHER POST EMPLOYMENT BENEFIT PLANS**

**Retiree Health Plan Funding History**

**For the Years Ended January 1, 2006, 2007, 2009, 2011, 2013 and July 1, 2015\***

<b>Valuation Date*</b>	<b>Accrued Liabilities (AL)</b>	<b>Actuarial Value of Assets (AVA)</b>	<b>Unfunded Liabilities (UL)</b>	<b>Funded Ratio (AVA/AL)</b>	<b>Annual Covered Payroll</b>	<b>UL as a % of Payroll</b>
01/01/2007	\$ 1,369,600	\$ 198,800	\$ 1,170,800	14.5%	\$ 4,925,600	23.8%
01/01/2009	\$ 1,748,000	\$ 230,900	\$ 1,517,100	13.2%	\$ 5,276,400	28.8%
01/01/2011	\$ 2,501,800	\$ 645,700	\$ 1,856,100	25.8%	\$ 6,307,400	29.4%
07/01/2011	\$ 2,657,000	\$ 661,400	\$ 1,995,600	24.9%	\$ 6,226,000	32.1%
07/01/2013	\$ 2,960,600	\$ 1,079,900	\$ 1,880,700	36.5%	\$ 6,409,000	29.3%
07/01/2015	\$ 6,755,593	\$ 1,579,982	\$ 5,175,611	23.4%	\$ 6,360,511	81.4%

\*Retiree Health Plan funding began in 2007. Valuations were routinely done every two years. The valuation date changed to July 1 in compliance with GASB Statement No. 57.

## **SUPPLEMENTAL INFORMATION**

**TRUCKEE DONNER PUBLIC UTILITY DISTRICT**

**SUPPLEMENTARY INFORMATION**

December 31, 2017 and 2016

**CONSOLIDATING STATEMENT OF NET POSITION**

As of December 31, 2017

	Electric Operations	Water Operations	Component Units		Eliminations	Totals
			Gray's Crossing	Old Greenwood		
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>						
<b>CURRENT ASSETS</b>						
Funds						
Operating	\$ 6,411,215	\$ 2,049,356	\$ 149,372	\$ 376,669	\$ -	\$ 8,986,612
Designated	11,087,233	2,623,136	-	-	-	13,710,369
Restricted	1,902,490	2,928,505	3,015,361	-	-	7,846,356
Total Funds	19,400,938	7,600,997	3,164,733	376,669	-	30,543,337
Accounts receivable, net	1,476,994	1,217,272	5,764,938	695,812	-	9,155,016
Unbilled revenues	1,863,673	765,784	-	-	-	2,629,457
Accrued interest receivable	21,203	51,830	2,458	1,441	-	76,932
Materials and supplies	519,034	158,862	-	-	-	677,896
Prepaid expenses	391,141	242,050	-	-	-	633,191
Other	44,621	49,016	-	-	-	93,637
Total Current Assets	23,717,604	10,085,811	8,932,129	1,073,922	-	43,809,466
<b>NON-CURRENT ASSETS</b>						
Other Non-Current Assets						
Restricted funds	-	1,818,513	-	-	-	1,818,513
Special assessments receivable	-	3,005,178	-	-	-	3,005,178
Other	843,086	-	-	-	-	843,086
Total Other Non-Current Assets	843,086	4,823,691	-	-	-	5,666,777
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Pension	2,190,835	1,460,556	-	-	-	3,651,391
Unamortized loss on refunding	-	576,778	-	-	-	576,778
Unamortized redemption premium	122,673	-	-	-	-	122,673
Total deferred outflows of resources	2,313,508	2,037,334	-	-	-	4,350,842
<b>CAPITAL ASSETS</b>						
Utility plant	71,679,419	117,116,869	-	-	-	188,796,288
Accumulated depreciation	(25,855,204)	(42,708,031)	-	-	-	(68,563,235)
Construction work in progress	2,433,287	447,734	-	-	-	2,881,021
Total capital assets	48,257,502	74,856,572	-	-	-	123,114,074
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 75,131,700</b>	<b>\$ 91,803,408</b>	<b>\$ 8,932,129</b>	<b>\$ 1,073,922</b>	<b>\$ -</b>	<b>\$ 176,941,159</b>

**TRUCKEE DONNER PUBLIC UTILITY DISTRICT**

**SUPPLEMENTARY INFORMATION**

December 31, 2017 and 2016

	Component Units					Eliminations	Totals
	Electric Operations	Water Operations	Gray's	Crossing	Old Greenw ood		
<b>NET POSITION AND LIABILITIES</b>							
<b>CURRENT LIABILITIES</b>							
Other liabilities							
Accounts payable	\$ 2,312,114	\$ 33,632	\$ -	\$ -	\$ -	\$ -	\$ 2,345,746
Customer deposits	399,333	88,863	-	-	-	-	488,196
Other	651,421	343,194	-	-	-	-	994,615
Total other liabilities	<u>3,362,868</u>	<u>465,689</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,828,557</u>
Current liabilities payable from restricted assets:							
Current portion of long-term debt	1,279,658	2,131,656	690,000	337,900	-	-	4,439,214
Accrued interest payable	59,937	145,212	565,338	132,404	-	-	902,891
Total Current Liabilities Payable from Restricted Assets	<u>1,339,595</u>	<u>2,276,868</u>	<u>1,255,338</u>	<u>470,304</u>	<u>-</u>	<u>-</u>	<u>5,342,105</u>
Total Current Liabilities	<u>4,702,463</u>	<u>2,742,557</u>	<u>1,255,338</u>	<u>470,304</u>	<u>-</u>	<u>-</u>	<u>9,170,662</u>
<b>NON-CURRENT LIABILITIES</b>							
Long-term debt, net of discounts and premiums	3,476,000	21,085,650	30,258,102	9,164,800	-	-	63,984,552
Net pension liability	7,185,392	4,790,263	-	-	-	-	11,975,655
OPEB liability	669,941	446,627	-	-	-	-	1,116,568
Installment loans	47,745	-	-	-	-	-	47,745
Unearned revenues	2,612,137	1,041,939	1,241,083	341,243	-	-	5,236,402
Total non-current liabilities	<u>13,991,215</u>	<u>27,364,479</u>	<u>31,499,185</u>	<u>9,506,043</u>	<u>-</u>	<u>-</u>	<u>82,360,922</u>
Total Liabilities	<u>18,693,678</u>	<u>30,107,036</u>	<u>32,754,523</u>	<u>9,976,347</u>	<u>-</u>	<u>-</u>	<u>91,531,584</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Pension	331,159	220,773	-	-	-	-	551,932
Total deferred inflow s of resources	<u>331,159</u>	<u>220,773</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>551,932</u>
<b>NET POSITION</b>							
Net investment in capital assets	43,501,844	52,216,044	(30,948,102)	(9,502,700)	-	-	55,267,086
Restricted for debt service	1,842,553	4,576,780	2,869,617	-	-	-	9,288,950
Unrestricted	10,762,466	4,682,775	4,256,091	600,275	-	-	20,301,607
Total Net Position	<u>56,106,863</u>	<u>61,475,599</u>	<u>(23,822,394)</u>	<u>(8,902,425)</u>	<u>-</u>	<u>-</u>	<u>84,857,643</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u>\$ 75,131,700</u>	<u>\$ 91,803,408</u>	<u>\$ 8,932,129</u>	<u>\$ 1,073,922</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 176,941,159</u>

# TRUCKEE DONNER PUBLIC UTILITY DISTRICT

## SUPPLEMENTARY INFORMATION

December 31, 2017 and 2016

### CONSOLIDATING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the Year Ended December 31, 2017

	Electric Operations	Water Operations	Component Units		Eliminations	Totals
			Gray's Crossing	Old Greenwood		
<b>OPERATING REVENUES</b>						
Sales to customers	\$ 22,660,258	\$ 11,801,888	\$ -	\$ -	\$ -	\$ 34,462,146
Interdepartmental sales	1,148,845	2,292	-	-	(1,151,137)	-
Standby fees	21,530	133,440	-	-	-	154,970
Cap and trade proceeds	1,140,372	-	-	-	-	1,140,372
Other	2,736,115	403,229	-	-	(561,479)	2,577,865
Total Operating Revenues	<u>27,707,120</u>	<u>12,340,849</u>	<u>-</u>	<u>-</u>	<u>(1,712,616)</u>	<u>38,335,353</u>
<b>OPERATING EXPENSES</b>						
Purchased power	11,327,300	-	-	-	-	11,327,300
Operations and maintenance	4,997,232	4,835,623	-	-	(1,151,137)	8,681,718
Consumer services	1,661,708	640,793	-	-	-	2,302,501
Administration and general	2,522,038	2,231,453	-	-	(561,479)	4,192,012
Pension expense	1,361,766	907,844	-	-	-	2,269,610
OPEB expense	238,410	158,940	-	-	-	397,350
Depreciation	2,624,534	3,907,106	-	-	-	6,531,640
Total Operating Expenses	<u>24,732,988</u>	<u>12,681,759</u>	<u>-</u>	<u>-</u>	<u>(1,712,616)</u>	<u>35,702,131</u>
Operating Income	<u>2,974,132</u>	<u>(340,910)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,633,222</u>
<b>NON-OPERATING REVENUE (EXPENSES)</b>						
Special tax revenue	-	-	2,658,860	683,217	-	3,342,077
Investment income	163,323	230,654	22,317	4,196	-	420,490
Interest expense	(2,951)	(743,045)	(1,716,270)	(405,818)	-	(2,868,084)
Amortization	(27,261)	(5,784)	(5,205)	-	-	(38,250)
Other non-operating revenues	-	-	37,578	4,479	-	42,057
Other non-operating expenses	-	-	-	(26,377)	-	(26,377)
Gain (loss) on disposition of assets	7,193	345	-	-	-	7,538
Total Non-Operating Expenses	<u>140,304</u>	<u>(517,830)</u>	<u>997,280</u>	<u>259,697</u>	<u>-</u>	<u>879,451</u>
Income Before Contributions	3,114,436	(858,740)	997,280	259,697	-	3,512,673
<b>CAPITAL &amp; OTHER CONTRIBUTIONS, net</b>						
Capital Contributions	946,717	1,150,111	-	-	-	2,096,828
Intercompany Debt Service - Pension Sidefund	307,420	(307,420)	-	-	-	-
Total Capital and Other Contributions, net	<u>1,254,137</u>	<u>842,691</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,096,828</u>
<b>CHANGE IN NET POSITION</b>	4,368,573	(16,049)	997,280	259,697	-	5,609,501
NET POSITION - Beginning of Year	<u>51,738,290</u>	<u>61,491,648</u>	<u>(24,819,674)</u>	<u>(9,162,122)</u>	<u>-</u>	<u>79,248,142</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 56,106,863</u>	<u>\$ 61,475,599</u>	<u>\$ (23,822,394)</u>	<u>\$ (8,902,425)</u>	<u>\$ -</u>	<u>\$ 84,857,643</u>

**TRUCKEE DONNER PUBLIC UTILITY DISTRICT**

**SUPPLEMENTARY INFORMATION**

December 31, 2017 and 2016

**CONSOLIDATING STATEMENT OF CASH FLOWS**

For the Year Ended December 31, 2017

	Component Units					Total
	Electric Operations	Water Operations	Gray's Crossing	Old Greenwood	Eliminations	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Received from customers	\$ 27,915,556	\$ 11,560,093	\$ -	\$ -	\$ (1,684,739)	\$ 37,790,910
Paid to suppliers for goods and services	(16,319,624)	(5,499,190)	-	-	1,684,739	(20,134,075)
Paid to employees for services	(4,971,097)	(2,515,153)	-	-	-	(7,486,250)
Net Cash Flow s from Operating Activities	<u>6,624,835</u>	<u>3,545,750</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,170,585</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Principal payments on long-term debt	(404,000)	-	-	-	-	(404,000)
Interest payments on long-term debt	(63,590)	-	-	-	-	(63,590)
Net Cash Flow s from Noncapital Financing Activities	<u>(467,590)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(467,590)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Capital expenditures for utility plant	(3,042,889)	(2,339,061)	-	-	-	(5,381,950)
Cost of disposal of property net of salvage	(126,363)	345	-	-	-	(126,018)
Capital contributions, connection and facility fees	731,961	1,073,520	-	-	-	1,805,481
Special assessments receipts	-	687,698	-	-	-	687,698
Special tax receipts	-	-	2,554,560	657,293	-	3,211,853
Principal payments on long-term debt	(10,191)	(2,413,869)	(615,000)	(308,800)	-	(3,347,860)
Interest payments on long-term debt	119,006	(732,406)	(1,726,398)	(410,122)	-	(2,749,920)
Cash Flow s From Capital and Related Financing Activities	<u>(2,328,476)</u>	<u>(3,723,773)</u>	<u>213,162</u>	<u>(61,629)</u>	<u>-</u>	<u>(5,900,716)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Interest income received	181,261	295,975	50,859	3,456	-	531,551
Cash Flow s from Investing Activities	<u>181,261</u>	<u>295,975</u>	<u>50,859</u>	<u>3,456</u>	<u>-</u>	<u>531,551</u>
<b>Net Change in Cash and Cash Equivalents</b>	4,010,030	117,952	264,021	(58,173)	-	4,333,830
CASH AND CASH EQUIVALENTS – Beginning of Year	<u>15,439,826</u>	<u>7,485,574</u>	<u>2,900,712</u>	<u>434,842</u>	<u>-</u>	<u>26,260,954</u>
<b>CASH AND CASH EQUIVALENTS – END OF YEAR</b>	<u>\$ 19,449,856</u>	<u>\$ 7,603,526</u>	<u>\$ 3,164,733</u>	<u>\$ 376,669</u>	<u>\$ -</u>	<u>\$ 30,594,784</u>

**TRUCKEE DONNER PUBLIC UTILITY DISTRICT**

**SUPPLEMENTARY INFORMATION**

December 31, 2017 and 2016

**For the Year Ended December 31, 2017**

	Component Units					
	Electric Operations	Water Operations	Gray's Crossing	Old Greenwood	Eliminations	Total
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH</b>						
<b>FLOWS FROM OPERATING ACTIVITIES</b>						
Operating income	\$ 2,974,132	\$ (340,910)	\$ -	\$ -	\$ -	\$ 2,633,222
Noncash items included in operating income						
Depreciation and amortization	2,624,534	3,907,106	-	-	-	6,531,640
Depreciation charged to other accounts	194,032	150,010	-	-	-	344,042
Intercompany Transfer	307,420	(307,420)	-	-	-	-
Pension expense - GASB 68	1,361,766	907,845	-	-	-	2,269,611
Deferred Pension Contributions - GASB 68	(741,492)	(494,328)	-	-	-	(1,235,820)
OPEB	238,410	158,940	-	-	-	397,350
Accounts receivable and unbilled revenues	(115,912)	(476,436)	-	-	-	(592,348)
Materials and supplies	(40,037)	19,122	-	-	-	(20,915)
Prepaid expenses and other current assets	(131,509)	(42,418)	-	-	-	(173,927)
Accounts payable	(152,512)	(8,257)	-	-	-	(160,769)
Customer deposits	16,927	3,100	-	-	-	20,027
Other current liabilities	89,076	69,396	-	-	-	158,472
	<u>6,624,835</u>	<u>3,545,750</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,170,585</u>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>\$ 6,624,835</b>	<b>\$ 3,545,750</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 10,170,585</b>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS</b>						
<b>TO THE BALANCE SHEET</b>						
Operating	\$ 6,411,215	\$ 2,049,356	\$ 149,372	\$ 376,669	\$ -	\$ 8,986,612
Designated	11,087,233	2,623,136	-	-	-	13,710,369
Restricted bond funds - current	1,902,490	2,928,505	3,015,361	-	-	7,846,356
Restricted bond funds - non-current	-	1,818,513	-	-	-	1,818,513
Total Cash and Investments	<u>19,400,938</u>	<u>9,419,510</u>	<u>3,164,733</u>	<u>376,669</u>	<u>-</u>	<u>32,361,850</u>
Less: Long-term investments	-	(1,698,880)	-	-	-	(1,698,880)
Mark to market adjustment	48,918	(117,104)	-	-	-	(68,186)
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>\$ 19,449,856</b>	<b>\$ 7,603,526</b>	<b>\$ 3,164,733</b>	<b>\$ 376,669</b>	<b>\$ -</b>	<b>\$ 30,594,784</b>