

**TRUCKEE DONNER
PUBLIC UTILITY DISTRICT**

CONSOLIDATED FINANCIAL STATEMENTS

Including Report of Independent Auditors

December 31, 2019 and 2018

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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, 2019 and 2018, 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. 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, 2019 and 2018, 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 the accompanying management's discussion and analysis on pages 3 through 7, the schedule of the District's proportionate share of the net pension liability on page 52, the schedule of contributions on page 53, the schedule of the District's change in the net OPEB liability and related ratios on page 54, the schedule of the District's OPEB contributions on page 55, and the schedule of investment returns on page 55, 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 accompanying consolidating statements of net position, and the related consolidating statements of revenues, expenses and changes in net position and cash flows as of and for the year ended December 31, 2019 on pages 58 through 62, 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.



Portland, Oregon
May 22, 2020

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2019 and 2018

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, 2019 and 2018. 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 \$3.1 million (6.8%) from \$45.5 million at December 31, 2018 to \$48.5 million at December 31, 2019, predominantly due to higher than anticipated revenues and lower than anticipated purchase power costs for the Electric Utility. The District's current assets increased \$1.7 million (3.8%) from \$43.8 million at December 31, 2017 to \$45.5 million at December 31, 2018, predominantly due to higher than anticipated revenues for the Electric Utility.

The District's total net position increased \$9.4 million (10.3%) from \$90.9 million at December 31, 2018, to \$100.3 million at December 31, 2019. The total increase in net position from operating activities was \$2.9 million, primarily due to higher than anticipated revenues for the Electric Utility coupled with strong capital contributions for both Electric and Water. These contributions are related to infrastructure constructed for new development and improvements within the District's service area. There was a reduction in net position at the beginning of 2018 of \$3.4 million due to a change in accounting principal to comply with GASB statement 75 for Other Postemployment Benefit reporting. The District's total net position increased \$6.0 million (7.1%) from \$84.9 million at December 31, 2017, to \$90.9 million at December 31, 2018. The total increase in net position was \$9.4 million, primarily due to higher than anticipated revenues for the Electric Utility coupled with strong capital contributions for both Electric and Water. The total increase in net position from operating activities of \$9.4 million was then offset by a reduction in net position.

Total operating revenues were \$39.3 million in 2019, \$37.7 million in 2018 and \$38.3 million in 2017. Electric revenues increased 4.9% in 2019 compared to 2018 respectively. A 3% rate increase in 2019 along with a colder winter can be attributed to the increase. Water revenues increased 2.6% in 2019; a 3% water rate increase also occurred in 2019 slightly offset by the colder winter resulting in later irrigation patterns by consumers than the prior year. Electric and Water Utilities both implemented a 3% rate increase in 2018. Other operating revenues in 2017 include CalOES and FEMA reimbursement funds from the extreme winter storms during January and February 2017. However, 2018 revenues were higher than anticipated on the Electric Utility side even though the District experienced a milder winter compared to 2017. Water revenues also exceeded expectations as irrigation patterns for consumers started earlier than 2017 due to the milder winter in 2018. Other operating revenues in 2017 include CalOES and FEMA reimbursement funds from the extreme winter storms during January and February 2017.

Operating expenses of the District increased \$2.3 million (6.8%) from \$34.1 million in 2018 to \$36.4 million in 2019. The Water Utility had a 9.9% increase in operating expenses primarily due to internal labor shifting from capital to operations. This was planned as the District is deferring smaller pipeline replacements for a large project in 2022. In addition to the shift in labor the District as a whole experienced increased insurance, regulatory and maintenance material costs. Operating expenses of the District decreased \$1.6 million (4.5%) from \$35.7 million in 2017 to \$34.1 million in 2018. Operating expenses in 2017 for the

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2019 and 2018

Electric Utility included all of the extra expenses associated with the extreme winter storms that occurred in Q1, and were subsequently reimbursed by FEMA and CalOES in 2017.

Non-operating revenues increased 11.7% at \$4.5 million in 2019 compared to \$4.0 million in 2018 due primarily to an increase in investment income. Non-operating revenues increased 4.6% at \$4.0 million in 2018 compared to \$3.8 million in 2017 due primarily to an increase in investment income. Non-operating expenses decreased 3.5% from \$2.8 million in 2018 to \$2.7 million in 2019 primarily due to a decrease in interest expense. Non-operating expenses decreased 3.7% from \$2.9 million in 2017 to \$2.8 million in 2018 primarily due to a decrease in interest expense.

No new debt was incurred in 2019 and 2018.

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.

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,

See accompanying auditors' report.

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2019 and 2018

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.

DISTRICT HIGHLIGHTS

The condensed financial statements at December 31, 2019, 2018, and 2017 are presented below.

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2019	2018	2017	Increase (Decrease) 2019 - 2018
Current assets	\$ 48,544,973	\$ 45,472,272	\$ 43,809,466	\$ 3,072,701
Non-current assets:				
Capital assets, net	133,812,252	130,173,550	123,114,074	3,638,702
Restricted assets	1,730,450	1,753,275	1,818,513	(22,825)
Other long-term assets	1,811,627	2,605,968	3,848,264	(794,341)
Total Assets	<u>185,899,302</u>	<u>180,005,065</u>	<u>172,590,317</u>	<u>5,894,237</u>
Deferred outflows of resources	<u>3,529,595</u>	<u>3,270,661</u>	<u>4,350,842</u>	<u>258,934</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 189,428,897</u>	<u>\$ 183,275,726</u>	<u>\$ 176,941,159</u>	<u>\$ 6,153,171</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION				
Current liabilities	\$ 9,852,426	\$ 9,734,621	\$ 9,170,662	\$ 117,805
Non-current Liabilities				
Long-term debt, net of current portion	54,997,965	59,647,062	64,032,297	(4,649,097)
Net pension liability	12,872,646	11,742,137	11,975,655	1,130,509
OPEB liability	4,328,352	4,408,729	1,116,568	(80,377)
Unearned revenues	6,252,705	6,569,632	5,236,402	(316,927)
Total Liabilities	<u>88,304,094</u>	<u>92,102,181</u>	<u>91,531,584</u>	<u>(3,798,087)</u>
Deferred inflows of resources	<u>849,728</u>	<u>259,666</u>	<u>551,932</u>	<u>590,062</u>
NET POSITION				
Net investment in capital assets	74,841,973	66,843,642	55,267,086	7,998,331
Restricted for debt service	11,052,667	9,742,741	9,288,950	1,309,926
Unrestricted	14,380,435	14,327,496	20,301,607	52,939
Total Net Position	<u>100,275,075</u>	<u>90,913,879</u>	<u>84,857,643</u>	<u>9,361,196</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 189,428,897</u>	<u>\$ 183,275,726</u>	<u>\$ 176,941,159</u>	<u>\$ 6,153,171</u>

The District's current assets increased \$3.1 million in 2019 and increased \$1.7 million in 2018, predominantly due to increased cash reserves associated with the Electric Utility. The District continued to focus on capital asset replacements including Envision Donner Pass Road Project, completion of the Electric meter replacement project, phase 5 of the SCADA reliability project, Old Greenwood well repairs, upgrading data collector units and the continuation of the SCADA replacement project. Capital assets increased by a total of \$3.6 million 2019 compared to \$7.0 million in 2018. Net Long Term debt decreased \$4.6 million in 2019 and decreased \$4.4 million in 2018, due to annual reduction of existing debt. In 2018, Other Long Term assets decreased \$1.2 million due to the scheduled collection of special assessments receivable. See note 5 for details on remaining debt. No new debt was issued in 2019 and 2018.

See accompanying auditors' report.

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2019 and 2018

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

The District had income before capital contributions of \$4.7 million, \$4.7 million, and \$3.5 million for the years ended December 31, 2019, 2018, and 2017, respectively. Changes in the District's net position can be determined by reviewing the following Condensed Revenues, Expenses, and Changes in Net Position.

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease) 2019 - 2018</u>
Sales to consumers	\$ 37,029,653	\$ 35,486,412	\$ 34,462,146	\$ 1,543,241
Other operating revenues	2,303,918	2,198,605	3,873,207	105,313
Total Operating Revenues	<u>39,333,571</u>	<u>37,685,017</u>	<u>38,335,353</u>	<u>1,648,554</u>
Operating expenses	<u>36,383,962</u>	<u>34,092,086</u>	<u>35,702,131</u>	<u>2,291,876</u>
Operating Income	2,949,609	3,592,931	2,633,222	(643,322)
Non-operating revenues (expenses)	<u>1,728,488</u>	<u>1,162,050</u>	<u>879,451</u>	<u>566,438</u>
Income before capital contributions	4,678,097	4,754,981	3,512,673	(76,884)
Capital contributions, net	<u>4,683,099</u>	<u>4,652,720</u>	<u>2,096,828</u>	<u>30,379</u>
Change in net position	9,361,196	9,407,701	5,609,501	(46,505)
Net Position, Beginning of Year	<u>90,913,879</u>	<u>81,506,178</u>	<u>79,248,142</u>	<u>9,407,701</u>
NET POSITION, END OF YEAR	<u>\$ 100,275,075</u>	<u>\$ 90,913,879</u>	<u>\$ 84,857,643</u>	<u>\$ 9,361,196</u>

Total operating revenues were \$39.3 million in 2019, \$37.7 million in 2018, and \$38.3 million in 2017. Electric revenues increased 4.9% in 2019 compared to 2018. A 3% rate increase in 2019 along with a colder winter can be attributed to the increase. Water revenues increased 2.6% largely due to a 3% rate increase implemented in 2019 slightly offset by the colder winter resulting in later irrigation patterns. Electric revenues decreased 4% in 2018 compared to 2017. A 3% rate increase in 2018 was offset by a mild winter compared to the 2017 extreme winter. Water revenues increased 4.0%; a 3% rate increase in 2018 was implemented. Additionally, irrigation patterns for consumers started earlier in 2018 due to the milder winter than 2017.

Total operating expenses were \$36.4 million in 2019, \$34.1 million in 2018, and \$35.7 million in 2017. Increased operating expenses can be attributed to increased tree trimming costs to reduce the risk of wildfire along with increased insurance and maintenance material costs.

Non-operating revenues and expenses increased \$0.6 million in 2019 and increased \$0.3 million in 2018 due to an increase in investment income coupled by a decrease in interest expense in 2019.

In 2018 the District implemented Governmental Accounting Standards (GASB) Statement of Governmental Accounting Standards No. 75 "Accounting and Financial Reporting for Postemployment Benefits other than Pensions" (GASB No. 75). The primary objective of GASB No. 75 is to improve accounting and financial reporting for postemployment benefits. Under GASB No. 75, the District is required to report the net other postemployment benefits liability and deferred inflows and outflows in the statement of Net Position. The District's net position at the beginning of 2018 was reduced \$3.4 million for this new standard.

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2019 and 2018

CAPITAL ASSETS

As of December 31, 2019, 2018, and 2017, the District had \$133.8 million, \$130.2 million, and \$123.1 million, respectively, invested in a variety of capital assets, net of accumulated depreciation. A summary of capital assets is reflected in the following schedule.

	2019	2018	2017
Electric distribution facilities	\$ 67,692,718	\$ 64,204,691	\$ 60,416,921
Water distribution facilities	120,131,130	116,378,593	112,596,747
General plant	18,450,144	16,513,295	15,782,620
Sub-totals	206,273,992	197,096,579	188,796,288
Less: Accumulated depreciation	(78,575,819)	(74,092,843)	(68,563,235)
Net of accumulated depreciation	127,698,173	123,003,736	120,233,053
Construction work in progress	6,114,079	7,169,814	2,881,021
Net capital assets	\$ 133,812,252	\$ 130,173,550	\$ 123,114,074

Net capital assets (additions, less retirements and depreciation) increased \$3.6 million in 2019 compared to \$7.0 million in 2018. The District ended 2019 with decreased construction work in progress of \$6.1 million compared to \$7.2 million in 2018; this includes the overhead pole replacement project, District upstairs remodel, Aclara MTU replacement project and the SCADA reliability phase 5 project.

LONG-TERM DEBT

Long-term debt includes revenue bonds and installment loans. At December 31, 2019, 2018, and 2017, the District had \$55.0 million, \$59.6 million, and \$64.0 million, respectively, in long-term debt outstanding, net current maturities. In 2019 and 2018, the District did not enter into any new debt agreements and the overall decrease in long-term debt was due to scheduled debt payments.

ECONOMIC FACTORS AND NEXT YEARS BUDGETS AND RATES

The District operates on a two year budget. The FY20 & FY21 Board approved Budget includes an assumption for growth in fiscal year 2020 of 1%, Consistent with what the District experienced in fiscal year 2019. Revenue projections for fiscal year 2020 include rate increases of 3% for both Electric and Water. Rates by rate class can be found on the District's website at www.tdpud.org. Expenditures for Electric and Water excluding debt service, were projected to increase approximately 3% compared to fiscal year 2020 budgeted expenditures.

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

See accompanying auditors' report.

FINANCIAL STATEMENTS

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

CONSOLIDATED STATEMENTS OF NET POSITION

December 31, 2019 and 2018

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		<u>2019</u>	<u>2018</u>
CURRENT ASSETS			
Cash Funds			
Operating	\$	12,969,107	\$ 9,947,858
Designated		12,635,745	13,958,250
Restricted		<u>9,355,602</u>	<u>8,233,756</u>
Total Cash Funds		34,960,454	32,139,864
Accounts receivable, net		9,024,044	8,637,436
Unbilled revenues		2,945,446	2,907,072
Accrued interest receivable		110,486	101,616
Materials and supplies		736,544	884,238
Prepaid expenses		643,240	684,816
Other		124,759	117,230
Total Current Assets		<u>48,544,973</u>	<u>45,472,272</u>
NON-CURRENT ASSETS			
Other Non-Current Assets			
Restricted investment fund		1,730,450	1,753,275
Special assessments receivable		1,562,702	2,294,810
Other		248,925	311,158
Total Other Non-Current Assets		<u>3,542,077</u>	<u>4,359,243</u>
CAPITAL ASSETS			
Utility plant		206,273,992	197,096,579
Accumulated depreciation		(78,575,819)	(74,092,843)
Construction work in progress		6,114,079	7,169,814
Total Capital Assets		<u>133,812,252</u>	<u>130,173,550</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension		2,350,006	2,286,573
OPEB		600,263	344,700
Unamortized loss on refunding		511,174	543,976
Unamortized redemption premium		68,152	95,412
Total Deferred Outflows of Resources		<u>3,529,595</u>	<u>3,270,661</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$	<u>189,428,897</u>	\$ <u>183,275,726</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, 2019 and 2018

<i>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</i>	<u>2019</u>	<u>2018</u>
CURRENT LIABILITIES		
Other Liabilities		
Accounts payable	\$ 3,111,240	\$ 3,173,938
Customer deposits	454,959	448,968
Other	995,795	1,035,235
Total Other Liabilities	<u>4,561,994</u>	<u>4,658,141</u>
Current Liabilities Payable From Restricted Assets		
Current portion of long-term debt	4,508,430	4,263,421
Accrued interest payable	782,002	813,059
Total Current Liabilities Payable from Restricted Assets	<u>5,290,432</u>	<u>5,076,480</u>
Total Current Liabilities	<u>9,852,426</u>	<u>9,734,621</u>
 NON-CURRENT LIABILITIES		
Long-term debt, net of discounts and premiums	54,973,023	59,610,463
Net pension liability	12,872,646	11,742,137
Net OPEB liability	4,328,352	4,408,729
Installment loans	24,942	36,599
Unearned revenues	6,252,705	6,569,632
Total Non-Current Liabilities	<u>78,451,668</u>	<u>82,367,560</u>
 Total Liabilities	<u>88,304,094</u>	<u>92,102,181</u>
 DEFERRED INFLOWS OF RESOURCES		
Pension	544,868	244,597
OPEB	304,860	15,069
Total Deferred Inflows of Resources	<u>849,728</u>	<u>259,666</u>
 NET POSITION		
Net investment in capital assets	74,841,973	66,843,642
Restricted for debt service	11,052,667	9,742,741
Unrestricted	14,380,435	14,327,496
Total Net Position	<u>100,275,075</u>	<u>90,913,879</u>
 <i>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</i>	 <u>\$ 189,428,897</u>	 <u>\$ 183,275,726</u>

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, 2019 and 2018

	2019	2018
OPERATING REVENUES		
Sales to customers	\$ 37,029,653	\$ 35,486,412
Standby fees	137,580	143,320
Cap and trade proceeds	1,503,495	1,186,320
Other	662,843	868,965
Total Operating Revenues	39,333,571	37,685,017
OPERATING EXPENSES		
Purchased power	10,754,898	11,001,858
Operations and maintenance	9,768,460	9,056,263
Consumer services	2,667,957	2,152,817
Administration and general	5,772,396	5,002,288
Depreciation	7,420,251	6,878,860
Total Operating Expenses	36,383,962	34,092,086
Operating Income	2,949,609	3,592,931
NON-OPERATING REVENUE (EXPENSES)		
Special tax revenue	3,352,289	3,268,849
Investment income	1,038,582	694,432
Interest expense	(2,647,817)	(2,753,906)
Amortization	(38,250)	(38,250)
Other non-operating revenues	48,096	21,332
Other non-operating expenses	(38,160)	(31,691)
Gain on disposition of assets	13,748	1,284
Total Non-Operating Revenue (Expenses)	1,728,488	1,162,050
Income Before Contributions	4,678,097	4,754,981
CAPITAL & OTHER CONTRIBUTIONS	4,683,099	4,652,720
CHANGE IN NET POSITION	9,361,196	9,407,701
Net Position - Beginning of Year	90,913,879	81,506,178
NET POSITION - END OF YEAR	\$ 100,275,075	\$ 90,913,879

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

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

CONSOLIDATED STATEMENTS OF CASH FLOWS

December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from customers	\$ 39,359,150	\$ 38,294,792
Paid to suppliers for goods and services	(19,921,223)	(18,317,973)
Paid to employees for services	<u>(7,090,512)</u>	<u>(7,139,320)</u>
Net Cash Flows from Operating Activities	<u>12,347,415</u>	<u>12,837,499</u>
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Principal payments on long-term debt	(920,000)	(1,269,000)
Interest payments on long-term debt	<u>(80,177)</u>	<u>(160,464)</u>
Net Cash Flows from Noncapital Financing Activities	<u>(1,000,177)</u>	<u>(1,429,464)</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital expenditures for utility plant	(9,589,498)	(11,609,527)
Cost of disposal of property net of salvage	(170,589)	(125,836)
Capital contributions, connection and facility fees	2,540,734	3,573,769
Special assessments receipts	732,107	710,368
Special tax receipts	2,976,560	2,881,818
Principal payments on long-term debt	(3,489,293)	(3,297,233)
Interest payments on long-term debt	<u>(2,571,679)</u>	<u>(2,656,256)</u>
Cash Flows From Capital and Related Financing Activities	<u>(9,571,658)</u>	<u>(10,522,897)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income received	<u>926,371</u>	<u>726,597</u>
Cash Flows from Investing Activities	<u>926,371</u>	<u>726,597</u>
 Net Change in Cash and Cash Equivalents	2,701,951	1,611,735
 CASH AND CASH EQUIVALENTS – Beginning of Year	<u>32,206,519</u>	<u>30,594,784</u>
 CASH AND CASH EQUIVALENTS – END OF YEAR	<u>\$ 34,908,470</u>	<u>\$ 32,206,519</u>
 NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Developer and customer added capital assets	<u>\$ 1,762,711</u>	<u>\$ 2,379,814</u>
Recognition of prior period unearned revenues	<u>\$ 5,688,114</u>	<u>\$ 4,028,393</u>

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

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

CONSOLIDATED STATEMENTS OF CASH FLOWS

December 31, 2019 and 2018

	2019	2018
RECONCILIATION OF OPERATING INCOME TO NET CASH		
FLOW FROM OPERATING ACTIVITIES		
Operating income	\$ 2,949,609	\$ 3,592,931
Noncash items included in operating income		
Depreciation and amortization	7,420,251	6,878,870
Depreciation charged to other accounts	477,592	178,114
Changes in assets and liabilities		
Accounts receivable	19,591	649,002
Materials and supplies	147,694	(206,340)
Prepaid expenses	41,575	(51,625)
Accounts payable	(62,698)	828,192
Customer deposits	5,991	(39,228)
Deferred Pension Contributions - GASB 68	1,367,347	435,033
Deferred OPEB Contributions - GASB 75	(46,149)	-
Other current liabilities	26,612	572,550
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 12,347,415	\$ 12,837,499
RECONCILIATION OF CASH AND CASH EQUIVALENTS		
TO THE BALANCE SHEET		
Operating	\$ 12,969,107	\$ 9,947,858
Designated	12,635,745	13,958,250
Restricted funds - current	9,355,602	8,233,756
Restricted funds - non-current	1,730,450	1,753,275
Total Cash and Investments	36,690,904	33,893,139
Less: Long-term investments	(1,698,880)	(1,698,880)
Mark to market adjustments	(83,554)	12,260
TOTAL CASH AND CASH EQUIVALENTS	\$ 34,908,470	\$ 32,206,519

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

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

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, 2019 and 2018

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 \$13,100 and \$18,100 for 2019 and 2018, respectively. Receivables are considered past due after 30 days and routine collection efforts begin. District Code allows for the Treasurer to write off delinquent account balances up to 0.17% of the amounts billed. This write off process occurs semi-annually.

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

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

I. MATERIALS AND SUPPLIES

Materials and supplies are recorded at average cost.

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 represents 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 2019 and 2018; no interest was capitalized in 2019 or in 2018.

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, 2019 and 2018

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. The District uses this transmission service to import energy over SPPC's transmission system to serve District load. In addition, the District purchases scheduling services from Utah Municipal Power Systems (UAMPS) and the scheduling services are included in the monthly power billings from UAMPS. The purchase of transmission services from SPPC represented 7.8% and 7.7% of total purchased power costs in 2018 and 2019, respectively.

In December of 2005, the District entered into an agreement with UAMPS. Subsequently, the District entered into several 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 receives about 1.7 MW of carbon-free generation from this resource. In September 2019 the District entered into 25-year Purchase Power Agreement with UAMPS for a 6MW share of the Red Mesa Solar Project. The Project is being developed by UAMPS and the Navajo Tribal Utility Authority for use by UAMPS members. It is scheduled to be online by June 1, 2022. The Red Mesa Solar Project price for energy is among the lowest wholesale price paid by the District for any resource. It is estimated that a 6MW share equates to about 10 percent of total annual District energy requirements.

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

In 2018 and 2019, the UAMPS contract, along with its appendices, and the WAPA contract for Stampede Dam Hydroelectric generation comprised the majority of a diversified power portfolio that balanced risk and costs for the District.

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

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 CO₂. 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 2019 and 2018, the District sold its excess allowances in the program auctions and the proceeds were recorded as \$1,503,495 and \$1,186,320 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 \$749,609 in 2019 and \$703,090 in 2018.

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 \$2,602,680 in 2019 and \$2,565,759 in 2018.

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

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

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

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

GASB Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (ARO's). The District has determined that this pronouncement had no impact on the District's financial position or results of operations.

In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The objective of this Statement is to provide temporary relief from certain new accounting and financial reporting requirements to districts in light of the COVID-19 pandemic. With the statement being effective immediately, the District has adopted this pronouncement for fiscal year 2019 resulting in postponement of implementing GASB Statement No. 84, *Fiduciary Activities* and GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. Other statements impacted by this statement are not effective for the fiscal year end 2019. The District will continue to evaluate the financial statement impact of adopting this Statement.

Y. DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

Deferred Outflows of Resources: This separate financial statement element represents consumption of net position or fund balance that applies to future period(s) and so will not be recognized until that time.

Deferred Inflows of Resources: This separate financial statement element represents an acquisition of net position or fund balance that applies to future period(s) and so will not be recognized as an inflow of resources until that time.

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.

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

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

AA. ACCOUNTING PRONOUNCEMENTS TO BE IMPLEMENTED IN UPCOMING YEARS

GASB Statement No. 84, *Fiduciary Activities*, addresses identifying fiduciary activities of all state and local governments. The general focus of the criteria is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify component units and postemployment benefit arrangements that are fiduciary 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.

GASB Statement No. 87, *Leases*, addresses accounting and financial reporting for leases by governments. This Statement increases the usefulness of financial 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, 2021.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, addresses information that is disclosed in notes related to debt including direct borrowing and direct placements. It also clarifies which liabilities the District should include when disclosing information related to debt. This statement is effective for the District fiscal year ending December 31, 2020.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, addresses interest costs incurred before the end of a construction period to be recorded as an expenditure in the applicable period. As a result, interest costs incurred before the end of a construction period will not be included in the historical cost of a capital asset reported. The District has not determined what impact this pronouncement will have on the financial statements. Application of this statement is effective for the District's fiscal year ending December 31, 2022.

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:

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.

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

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

Electric Rate Reserve

In compliance with Board rules, the District created an electric rate stabilization fund in anticipation of future costs. During both 2019 and 2018, there was no utilization of these funds to offset increased power costs in lieu of raising electric rates.

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 2019 funds were used for capital improvement projects.

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.

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

	<u>2019</u>	<u>2018</u>
Electric capital replacement fund	\$ 2,419,674	\$ 3,547,434
Electric vehicle reserve	402,741	521,293
Electric rate reserve	5,852,452	5,545,624
Electric deferred liabilities reserve	2,053,044	2,010,947
Water vehicle reserve	-	235,493
Prepaid connection fees	76,837	75,957
Debt service & operating reserve fund	1,592,690	1,799,719
Donner Lake Assessment District surcharge fund	133,379	119,751
Water deferred liabilities reserve	104,928	102,032
Totals	<u>\$ 12,635,745</u>	<u>\$ 13,958,250</u>

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

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

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.

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, 2019 and 2018

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>2019</u>	<u>2018</u>
Certificates of Participation	\$ 557,673	\$ 575,626
Special tax bonds	2,658,411	2,925,431
Facilities fees	2,349,620	1,416,480
DWR-Prop 55 reserve fund	336,596	327,308
Donner Lake Special Assessment District improvement	2,767,820	2,679,245
Donner Lake Special Assessment District reserve fund	821,579	811,379
AB 32 Cap and Trade Auction fund	1,538,615	1,197,362
Other (area improvement funds)	55,738	54,200
Total Restricted Cash and Cash		
Equivalents and Investments	<u>\$ 11,086,052</u>	<u>\$ 9,987,031</u>

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

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 34,960,454	\$ 32,139,864
Investments – government bonds	1,730,450	1,753,275
Totals	<u>\$ 36,690,904</u>	<u>\$ 33,893,139</u>

Cash and cash equivalents and investments were \$36,690,904 and \$33,893,139 at December 31, 2019 and 2018, 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 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.

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

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

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, 2019:

- 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, 2019 and 2018 the District's deposits and investments at fair value were held as follows:

	<u>2019</u>	<u>2018</u>
Cash on hand	\$ 2,400	\$ 2,400
Deposits	1,287,103	1,538,997
LAIF	15,260,179	12,108,937
PCTIP	8,271,436	8,068,948
UPTIF	8,856,197	8,813,143
Money Market Funds	1,283,139	1,607,439
Government Bonds	1,730,450	1,753,275
Totals	<u>\$ 36,690,904</u>	<u>\$ 33,893,139</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 2019 and 2018:

<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, 2019 and 2018

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, 2019 and 2018 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, 2019 and 2018

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, 2019 and 2018:

	January 1, 2019	Additions	Reductions	December 31, 2019
Electric distribution facilities	\$ 64,204,692	\$ 5,482,262	\$ (1,994,235)	\$ 67,692,719
Water distribution facilities	116,378,593	4,138,345	(385,808)	120,131,130
General plant	16,513,294	2,787,341	(850,492)	18,450,143
	197,096,579	12,407,948	(3,230,535)	206,273,992
Less: Accumulated depreciation	(74,092,843)	(7,782,420)	3,299,444	(78,575,819)
Construction work in progress	7,169,814	10,013,133	(11,068,868)	6,114,079
Totals	\$ 130,173,550	\$ 14,638,661	\$ (10,999,959)	\$ 133,812,252

	January 1, 2018	Additions	Reductions	December 31, 2018
Electric distribution facilities	\$ 60,416,921	\$ 5,100,497	\$ (1,312,726)	\$ 64,204,692
Water distribution facilities	112,596,747	3,836,606	(54,760)	116,378,593
General plant	15,782,620	921,628	(190,954)	16,513,294
	188,796,288	9,858,731	(1,558,440)	197,096,579
Less: Accumulated depreciation	(68,563,235)	(7,203,036)	1,673,428	(74,092,843)
Construction work in progress	2,881,021	11,929,099	(7,640,306)	7,169,814
Totals	\$ 123,114,074	\$ 14,584,794	\$ (7,525,318)	\$ 130,173,550

As of December 31, 2019 and 2018, 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.

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 4 – TELECOMMUNICATION SERVICES

In 1999, the District initiated a project to expand its 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 2019 and 2018 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, 2019 and 2018

NOTE 5 – LONG-TERM DEBT

Long-term debt consisted of the following at December 31, 2019:

	January 1, 2019	Additions	Reductions	December 31, 2019	Due within one year
Pension Obligation Bonds					
Electric, 2.47% due semi-annually to 2022	\$ 3,476,000	\$ -	\$ (920,000)	\$ 2,556,000	\$ 978,000
State Revolving Fund Loan –					
Water, 2.34%, due semi-annually beginning in 2006 to 2026	5,479,589	-	(676,565)	4,803,024	692,489
Special Tax Bonds – Mello					
Roos, 4.18%, due serially to 2032	9,164,800	-	(371,200)	8,793,600	408,500
Special Tax Bonds – Mello					
Roos, 3.25% to 5.7%, due serially to 2035 (net unamortized discounts of \$73,380)	13,556,933	-	(385,313)	13,171,620	375,000
Special Tax Bonds – Mello					
Roos, 3.50% to 5.50%, due serially to 2035 (net unamortized discounts of \$8,108)	16,606,374	-	(514,482)	16,091,892	485,000
Certificates of Participation –					
Water, 1.54% due serially to 2021 refinanced in 2016	1,990,000	-	(659,000)	1,331,000	667,000
Certificates of Participation –					
Water, 2.00% to 4.00%, due serially to 2035 (net premiums of \$421,023)	12,858,041	-	(592,018)	12,266,023	585,000
Department of Water Resources, 3.18%, due semiannually to 2021, secured by real and personal property	731,001	-	(285,510)	445,491	294,638
Installment loan, 4.58% due serially to 2023	47,745	-	-	47,745	22,803
Totals	<u>\$ 63,910,483</u>	<u>\$ -</u>	<u>\$ (4,404,088)</u>	<u>\$ 59,506,395</u>	<u>\$ 4,508,430</u>

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 5 – LONG-TERM DEBT (Continued)

Long-term debt consisted of the following at December 31, 2018:

	January 1, 2018	Additions	Reductions	December 31, 2018	Due within one year
Pension Obligation Bonds					
Electric, 2.47% due semi-annually to 2022	\$ 4,745,000	\$ -	\$ (1,269,000)	\$ 3,476,000	\$ 920,000
State Revolving Fund Loan –					
Water, 2.34%, due semi-annually beginning in 2006 to 2026	6,140,596	-	(661,007)	5,479,589	676,565
Special Tax Bonds – Mello					
Roos, 4.18%, due serially to 2032	9,502,700	-	(337,900)	9,164,800	371,200
Special Tax Bonds – Mello					
Roos, 3.25% to 5.7%, due serially to 2035 (net unamortized discounts of \$78,067)	13,892,246	-	(335,313)	13,556,933	335,000
Special Tax Bonds – Mello					
Roos, 3.50% to 5.50%, due serially to 2035 (net unamortized discounts of \$8,626)	17,055,856	-	(449,482)	16,606,374	440,000
Certificates of Participation –					
Water, 4.00% to 5.00% due serially to 2021 refinanced in 2016	2,634,000	-	(644,000)	1,990,000	659,000
Certificates of Participation –					
Water, 2.00% to 4.00%, due serially to 2035 (net premiums of \$448,041)	13,435,059	-	(577,018)	12,858,041	565,000
Department of Water Resources, 3.18%, due semiannually to 2021, secured by real and personal property	1,007,651	-	(276,650)	731,001	285,510
Installment loan, 4.58% due serially to 2023	58,403	-	(10,658)	47,745	11,146
Totals	<u>\$ 68,471,511</u>	<u>\$ -</u>	<u>\$ (4,561,028)</u>	<u>\$ 63,910,483</u>	<u>\$ 4,263,421</u>

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

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, 2019 and 2018

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 2019 or in 2018.

Scheduled payments on debt are:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 4,508,430	\$ 2,627,679	\$ 7,136,109
2021	4,574,633	2,479,049	7,053,682
2022	3,441,721	2,331,982	5,773,703
2023	3,075,746	2,205,289	5,281,035
2024	3,280,323	2,076,955	5,357,278
2025-2029	16,909,107	8,207,185	25,116,292
2030-3034	19,926,900	3,894,715	23,821,615
2035-2039	3,450,000	186,265	3,636,265
	<u>\$ 59,166,860</u>	<u>\$ 24,009,119</u>	<u>\$ 83,175,979</u>
Plus: Unamortized premiums	421,023		
Less: Unamortized discounts	(81,488)		
	<u>\$ 59,506,395</u>		

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

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, 2019 and 2018, 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, 2019 and 2018:

	January 1, 2019	Additions	Reductions	December 31, 2019
Unearned tax revenues	\$ 1,614,691	\$ 1,706,804	\$ (1,644,077)	\$ 1,677,418
Development agreement deposits	3,727,796	2,051,670	(2,568,805)	3,210,661
Connection fees and other deposits	1,227,145	1,612,713	(1,475,232)	1,364,626
Totals	\$ 6,569,632	\$ 5,371,187	\$ (5,688,114)	\$ 6,252,705

	January 1, 2018	Additions	Reductions	December 31, 2018
Unearned tax revenues	\$ 1,582,326	\$ 1,614,691	\$ (1,582,326)	\$ 1,614,691
Development agreement deposits	2,768,422	2,306,700	(1,347,326)	3,727,796
Connection fees and other deposits	885,654	1,440,232	(1,098,741)	1,227,145
Totals	\$ 5,236,402	\$ 5,361,623	\$ (4,028,393)	\$ 6,569,632

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 2019 and 2018 respectively, taxes of \$775,524 and \$723,694 were levied by Old Greenwood. Of these amounts, \$387,762 and \$361,847 relate to 2019 and 2018 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, 2019 and 2018

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 2019 and 2018, taxes of \$2,579,317 and \$2,505,688 respectively were levied by Gray's Crossing. Of this amount, \$1,298,658 and \$1,252,844 relate to 2019 and 2018 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 was fully funded as of December 31, 2016.

As of December 31, 2019 and 2018, the assessment receivable from the property owners was \$1,562,702 and \$2,294,810. 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, 2019 and 2018

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, 2019 are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or after January 1,
Hire Date		
Benefit Formula	2.7% @ 55	2% @ 62
Benefit Vesting Schedule	5 years service	5 years service
Benefit Payments	monthly for life	monthly for life
Retirement Age	50 and Up	52 and Up
Monthly Benefits, as a % of eligible compensation	2.0% - 2.7%	1.0% to 2.5%
Required Employee Contributions Rates	8%	6.75%
Required Employer Contributions Rates	12.514%	6.985%

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, 2018 through June 30, 2019.

	Miscellaneous	
	Prior to January 1, 2013	On or after January 1,
Hire Date		
Benefit Formula	2.7% @ 55	2% @ 62
2019 Employer Contributions	\$1,248,232	\$160,568
2018 Employer Contributions	\$1,136,849	\$109,627

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 9 – EMPLOYEE BENEFIT PLANS (Continued)

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

As of December 31, 2019, the District reported net pension liabilities for its proportionate shares of the net pension liability as follows:

Proportionate Share of Net Pension Liability	
Fiscal Year Ending	
June 30, 2019	June 30, 2018
\$12,872,646	\$11,742,137

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, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 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, 2019 and June 30, 2018 is as follows:

Measurement Date	Percentage Share of Risk Pool		Change
	June 30, 2019	June 30, 2018	
Percentage of Plan NPL	0.32145%	0.31157%	0.00988%

At December 31, 2019 and 2018 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 396,231	\$ -
Differences between expected and actual experience	824,788	-
Differences between projected and actual investment earnings	-	225,054
Differences between employer's contributions and proportionate share of contributions	-	319,814
Change in employer's proportion	348,223	-
Pension contributions made subsequent to the measurement date	780,764	-
Total	\$ 2,350,006	\$ 544,868

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 9 – EMPLOYEE BENEFIT PLANS (Continued)

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

	2018	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 1,010,564	\$ -
Differences between expected and actual experience	297,214	-
Differences between projected and actual investment earnings	58,050	-
Differences between employer's contributions and proportionate share of contributions	-	244,597
Change in employer's proportion	215,948	-
Pension contributions made subsequent to the measurement date	704,797	-
Total	<u>\$ 2,286,573</u>	<u>\$ 244,597</u>

\$780,764 is 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, 2019. 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 December 31</u>	<u>Amount</u>
2020	\$ 970,823
2021	(111,347)
2022	119,421
2023	45,477
	<u>\$ 1,024,374</u>

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 9 – EMPLOYEE BENEFIT PLANS (Continued)

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

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

	Miscellaneous 2019
Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increase	Varies by Entry Age and Service
Investment Rate of Return	7.15% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Mortality (1)	Derived using CalPERS membership data for all funds

(1) The mortality table used was developed based on CalPERS' specific data. The Table includes 15 years of mortality improvements using 90 percent of Scale MP 2016 published by the Society of Actuaries. For more details on this table, please refer to the 2017 experience study report.

All underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2018 valuation were based on results of a December 2017 CalPERS Experience Study and Review of Actuarial Assumptions. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate - The discount rate used to measure the total pension liability as of June 30, 2019 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

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 9 – EMPLOYEE BENEFIT PLANS (Continued)

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

(first 10 years) and the long term (11 + years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the 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 July 1, 2018.

Asset Class	New Strategic Allocation
Global Equity	50.0%
Private Equity	8.0%
Fixed Income	28.0%
Real Assets	13.0%
Liquidity	1.0%
Total	100.0%

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:

Miscellaneous	
Measurement Date	June 30,2019
1% Decrease	6.15%
Net Pension Liability	\$20,033,641
Current Discount Rate	7.15%
Net Pension Liability	\$12,872,646
1% Increase	8.15%
Net Pension Liability	\$6,961,750

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, 2019 and 2018 respectively the District did not report a payable for outstanding required contributions to the pension plan.

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 9 – EMPLOYEE BENEFIT PLANS (Continued)

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 2019 the total match was \$162,913 compared to \$137,045 in 2018. 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.

E. OTHER POST EMPLOYMENT BENEFITS (OPEB)

General Information - As discussed in Note 1, beginning with the year ended December 31, 2018, the District adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The District's retiree Benefits Plan (the Plan) recognizes benefit payments when due and payable in accordance with the benefit terms. The Plan's fiduciary net position has been determined on the same basis as is reported by the Plan in calculating the fiduciary net position (Net OPEB Liability), deferred outflows of resources and deferred inflows of resource and associated OPEB expense.

The District administers a single-employer defined-benefit post-employment healthcare plan. Dependents are eligible to enroll.

Benefits Provided – Retirees are eligible for a District contribution towards premiums for the retiree health plans(s) if they have 10+ years of District service. The maximum District contribution is based on years of service. The Retiree is eligible for 50% of the following maximums, with a minimum of 10 years of service, plus 5% for each year of service over 10 years: \$475 per person enrolled in the plan, if not eligible for Medicare, and \$375 per person enrolled, if eligible for Medicare.

Employees Covered – At June 30, 2017 (the valuation date), the benefit terms covered the following employees:

<u>Category</u>	<u>Count</u>
Active Employees:	68
Inactive Employees, spouses, or beneficiaries currently receiving payment(s):	53
<u>Inactive employees entitled to but not yet receiving benefit payment(s):</u>	<u>0</u>
Total	121

Contributions – The District pays benefits as they come due and contributes additionally to the Trust annually. The District's annual contribution to the Trust as of December 31, 2019 was \$100,000.

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 9 – EMPLOYEE BENEFIT PLANS (Continued)

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

Net OPEB Liability – The District’s net OPEB liability was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017.

Actuarial Assumptions

The total OPEB Liability in the December 31, 2018 measurement was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation: 2.00%

Salary Increases: Base salary increases in year one: 2.750%. Additional merit-based increases based on CalPERS.

Investment Rate of Return: 7.59%

Healthcare cost trend rates: 6.50% in the first year, trending down to 3.84% over 57 years

Mortality Rates: Based on CalPERS tables

The discount rate used to measure the total OPEB liability was 7.59%. The projection of cash flows used to determine the discount rate assumed that the District contribution will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to cover all future OPEB payments. Therefore, the discount rate was set equal to the long-term expected rate of return.

Changes in the Net OPEB Liability – The changes in the net OPEB liability for the Plan are as follows:

	Increases (Decreases)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (c) = (a) -(b)
Balance as of Report Date December 31, 2018	\$ 6,615,140	\$ 2,206,411	\$ 4,408,729
Changes for the year:			
Service Cost	178,856	-	178,856
Interest	457,563	-	457,563
Differences between Expected and Actual Experience	(29,828)	-	(29,828)
Changes of Assumptions	(233,084)	-	(233,084)
Contributions	-	-	-
Employer - District's Contribution	-	294,698	(294,698)
Employer - Implicit Subsidy	-	270,061	(270,061)
Net Investment Income	-	(110,318)	110,318
Benefit Payments	(244,700)	(244,700)	-
Implicit Rate Subsidy Credit	(270,061)	(270,061)	-
Administrative Expenses	-	(557)	557
Net Changes	(141,254)	(60,877)	(80,377)
Balance as of Report Date December 31, 2019	\$ 6,473,886	\$ 2,145,534	\$ 4,328,352

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 9 – EMPLOYEE BENEFIT PLANS (Continued)

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

	Increases (Decreases)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (c) = (a) - (b)
Balance as of Report Date December 31, 2017	\$ 6,465,503	\$ 1,997,471	\$ 4,468,032
Changes for the year:			
Service Cost	170,473	-	170,473
Interest	448,374	-	448,374
Differences between Expected and Actual Experience	-	-	-
Changes of Assumptions	-	-	-
Contributions	-	-	-
Employer - District's Contribution	-	256,280	(256,280)
Employer - Implicit Subsidy	-	254,930	(254,930)
Net Investment Income	-	167,459	(167,459)
Benefit Payments	(214,280)	(214,280)	-
Implicit Rate Subsidy Credit	(254,930)	(254,930)	-
Administrative Expenses	-	(519)	519
Net Changes	149,637	208,940	(59,303)
Balance as of Report Date December 31, 2018	\$ 6,615,140	\$ 2,206,411	\$ 4,408,729

Sensitivity of the net OPEB liability to changes in the discount rate - The net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.59%) or one percentage point higher (8.59%) is as follows:

	<u>1% Decrease</u> 6.59%	<u>Discount Rate</u> 7.59%	<u>1% Increase</u> 8.59%
Net OPEB Liability	\$4,899,679	\$4,328,352	\$3,687,036

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates - The net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (5.50%) or one percentage point higher (7.50%) than current healthcare cost trend rates is as follows:

	<u>1% Decrease</u> 5.50%	<u>Trend Rate</u> 6.50%	<u>1% Increase</u> 7.50%
	Decreasing to 2.84%	Decreasing to 3.84%	Decreasing to 4.84%
Net OPEB Liability	\$3,944,244	\$4,328,352	\$4,596,413

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 9 – EMPLOYEE BENEFIT PLANS (Continued)

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

OPEB Plan Fiduciary Net Position – CERBT issues a publicly available financial report for the overall OPEB plan’s fiduciary net position which may be obtained from CalPERS at PO Box 942709, Sacramento, Ca. 94229-2709.

OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB – For the year ended December 31, 2019, the District recognized an OPEB expense of \$469,313. At December 31, 2019 and 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the follow sources:

	2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (25,566)
Changes of assumptions	-	(279,294)
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	212,101	-
District contributions made subsequent to the measurement date	388,162	-
Total	\$ 600,263	\$ (304,860)

	2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	-	(15,069)
District contributions made subsequent to the measurement date	344,700	-
Total	\$ 344,700	\$ (15,069)

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 9 – EMPLOYEE BENEFIT PLANS (Continued)

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

The \$388,162 reported as deferred outflows of resources related to contributions subsequent to the December 31, 2018 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended December 31</u>	<u>Amount</u>
2020	\$1,273
2021	\$1,273
2022	\$1,272
2023	\$5,039
2024	(\$50,811)
<u>remaining</u>	<u>(\$50,805)</u>
Total	(\$92,759)

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, 2019 and 2018

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, 2019 and 2018.

STATEMENT OF NET POSITION

	December 31, 2019					
<i>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</i>	Electric	Water	Gray's Crossing	Old Greenwood	Eliminations	Grand Total
Current assets	\$ 27,392,285	\$ 10,812,929	\$ 9,297,427	\$ 1,046,154	\$ (3,822)	\$ 48,544,973
Non-current assets:						
Capital assets, net	58,755,925	75,056,327	-	-	-	133,812,252
Restricted assets	-	1,730,450	-	-	-	1,730,450
Other long-term assets	248,925	1,562,702	-	-	-	1,811,627
Total Noncurrent Assets	<u>59,004,850</u>	<u>78,349,479</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>137,354,329</u>
Deferred outflows of resources						
Pension	1,410,003	940,003	-	-	-	2,350,006
OPEB	360,158	240,105	-	-	-	600,263
Unamortized loss on refunding	-	511,174	-	-	-	511,174
Unamortized redemption premium	68,152	-	-	-	-	68,152
	<u>1,838,313</u>	<u>1,691,282</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,529,595</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 88,235,448</u>	<u>\$ 90,853,690</u>	<u>\$ 9,297,427</u>	<u>\$ 1,046,154</u>	<u>\$ (3,822)</u>	<u>\$ 189,428,897</u>
<i>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</i>						
Current liabilities	\$ 5,083,892	\$ 2,838,642	\$ 1,402,690	\$ 531,024	\$ (3,822)	\$ 9,852,426
Non-current Liabilities						
Long-term debt, net of current portion	1,602,942	16,606,411	28,403,512	8,385,100	-	54,997,965
Net pension liability	7,723,588	5,149,058	-	-	-	12,872,646
OPEB liability	2,597,011	1,731,341	-	-	-	4,328,352
Unearned revenues	3,431,825	1,143,462	1,289,656	387,762	-	6,252,705
Total Noncurrent Liabilities	<u>15,355,366</u>	<u>24,630,272</u>	<u>29,693,168</u>	<u>8,772,862</u>	<u>-</u>	<u>78,451,668</u>
Total Liabilities	<u>20,439,258</u>	<u>27,468,914</u>	<u>31,095,858</u>	<u>9,303,886</u>	<u>(3,822)</u>	<u>88,304,094</u>
Deferred inflows of resources						
Pension	326,921	217,947	-	-	-	544,868
OPEB	182,916	121,944	-	-	-	304,860
Total Deferred Inflows of Resources	<u>509,837</u>	<u>339,891</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>849,728</u>
Net Position						
Net investment in capital assets	56,177,122	56,721,963	(29,263,512)	(8,793,600)	-	74,841,973
Restricted for debt service	2,455,343	5,803,021	2,794,303	-	-	11,052,667
Unrestricted	8,653,888	519,901	4,670,778	535,868	-	14,380,435
Total Net Position	<u>67,286,353</u>	<u>63,044,885</u>	<u>(21,798,431)</u>	<u>(8,257,732)</u>	<u>-</u>	<u>100,275,075</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 88,235,448</u>	<u>\$ 90,853,690</u>	<u>\$ 9,297,427</u>	<u>\$ 1,046,154</u>	<u>\$ (3,822)</u>	<u>\$ 189,428,897</u>

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 11 – SEGMENT DISCLOSURE (Continued)

	December 31, 2018					
	Electric	Water	Gray's Crossing	Old Greenwood	Eliminations	Grand Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES						
Current assets	\$ 25,903,974	\$ 9,424,443	\$ 9,098,052	\$ 1,045,803	\$ -	\$ 45,472,272
Non-current assets:						
Capital assets, net	53,535,186	76,638,364	-	-	-	130,173,550
Restricted assets	-	1,753,275	-	-	-	1,753,275
Other long term assets	311,157	2,294,811	-	-	-	2,605,968
Total Noncurrent Assets	<u>53,846,343</u>	<u>80,686,450</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>134,532,793</u>
Defered outflows of resources						
Pension	1,371,944	914,629	-	-	-	2,286,573
OPEB	206,820	137,880	-	-	-	344,700
Unamortized loss on refunding	-	543,976	-	-	-	543,976
Unamortized redemption premium	95,412	-	-	-	-	95,412
Total Deferred Outflows of Resources	<u>1,674,176</u>	<u>1,596,485</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,270,661</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 81,424,493</u>	<u>\$ 91,707,378</u>	<u>\$ 9,098,052</u>	<u>\$ 1,045,803</u>	<u>\$ -</u>	<u>\$ 183,275,726</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION						
Current liabilities	\$ 5,114,244	\$ 2,794,434	\$ 1,327,047	\$ 498,896	\$ -	\$ 9,734,621
Non-current Liabilities						
Long-term debt, net of current portion	2,592,599	18,872,556	29,388,307	8,793,600	-	59,647,062
Net pension liability	7,045,282	4,696,855	-	-	-	11,742,137
OPEB liability	2,645,237	1,763,492	-	-	-	4,408,729
Unearned revenues	3,451,288	1,503,653	1,252,844	361,847	-	6,569,632
Total Noncurrent Liabilities	<u>15,734,406</u>	<u>26,836,556</u>	<u>30,641,151</u>	<u>9,155,447</u>	<u>-</u>	<u>82,367,560</u>
Total Liabilities	<u>20,848,650</u>	<u>29,630,990</u>	<u>31,968,198</u>	<u>9,654,343</u>	<u>-</u>	<u>92,102,181</u>
Defered inflows of resources						
Pension	146,758	97,839	-	-	-	244,597
OPEB	9,041	6,028	-	-	-	15,069
Total Deferred Inflows of Resources	<u>155,799</u>	<u>103,867</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>259,666</u>
Net Position						
Net investment in capital assets	50,048,040	56,123,709	(30,163,307)	(9,164,800)	-	66,843,642
Restricted for debt service	1,777,693	5,114,785	2,850,263	-	-	9,742,741
Unrestricted	8,594,312	734,026	4,442,898	556,260	-	14,327,496
Total Net Position	<u>60,420,045</u>	<u>61,972,520</u>	<u>(22,870,146)</u>	<u>(8,608,540)</u>	<u>-</u>	<u>90,913,879</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 81,424,494</u>	<u>\$ 91,707,377</u>	<u>\$ 9,098,052</u>	<u>\$ 1,045,803</u>	<u>\$ -</u>	<u>\$ 183,275,726</u>

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 11 – SEGMENT DISCLOSURE (Continued)

STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION

	Year ended December 31, 2019					
	Electric	Water	Gray's		Eliminations	Grand Total
			Crossing	Greenwood		
Operating Revenues						
Sales to consumers	\$ 24,239,706	\$ 12,789,947	\$ -	\$ -	\$ -	\$ 37,029,653
Other operating revenues	3,568,272	417,479	-	-	(1,681,833)	2,303,918
Operating expenses	(21,093,225)	(9,552,319)	-	-	1,681,833	(28,963,711)
Depreciation	(2,893,711)	(4,526,540)	-	-	-	(7,420,251)
Non-operating revenues (expenses)	572,803	(266,838)	1,071,715	350,808	-	1,728,488
Income (loss) before capital & other contributions	4,393,845	(1,138,271)	1,071,715	350,808	-	4,678,097
Capital contributions, net	2,472,463	2,210,636	-	-	-	4,683,099
CHANGE IN NET POSITION	6,866,308	1,072,365	1,071,715	350,808	-	9,361,196
Net Position, Beginning	60,420,045	61,972,520	(22,870,146)	(8,608,540)	-	90,913,879
NET POSITION, ENDING	\$ 67,286,353	\$ 63,044,885	\$ (21,798,431)	\$ (8,257,732)	\$ -	\$ 100,275,075

	Year ended December 31, 2018					
	Electric	Water	Gray's		Eliminations	Grand Total
			Crossing	Greenwood		
Operating Revenues						
Sales to consumers	\$ 23,045,437	\$ 12,440,975	\$ -	\$ -	\$ -	\$ 35,486,412
Other operating revenues	3,454,838	429,540	-	-	(1,685,773)	2,198,605
Operating expenses	(20,236,775)	(8,662,224)	-	-	1,685,773	(27,213,226)
Depreciation	(2,730,525)	(4,148,335)	-	-	-	(6,878,860)
Non-operating revenues (expenses)	344,897	(428,980)	952,248	293,885	-	1,162,050
Income (loss) before capital & other contributions	3,877,872	(369,024)	952,248	293,885	-	4,754,981
Capital contributions, net	2,446,189	2,206,531	-	-	-	4,652,720
CHANGE IN NET POSITION	6,324,061	1,837,507	952,248	293,885	-	9,407,701
Net Position, Beginning	56,106,863	61,475,599	(23,822,394)	(8,902,425)	-	84,857,643
Less, Restatement for change in accounting period	(2,010,879)	(1,340,586)	-	-	-	(3,351,465)
Net Position, Beginning of Year, as adjusted	54,095,984	60,135,013	(23,822,394)	(8,902,425)	-	81,506,178
NET POSITION, ENDING	\$ 60,420,045	\$ 61,972,520	\$ (22,870,146)	\$ (8,608,540)	\$ -	\$ 90,913,879

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 11 – SEGMENT DISCLOSURE (Continued)

STATEMENTS OF CASH FLOWS

	Year ended December 31, 2019					
	Electric	Water	Gray's	Old	Eliminations	Grand Total
			Crossing	Greenwood		
NET CASH PROVIDED BY (USED IN)						
Operating activities	\$ 8,270,006	\$ 4,073,587	\$ 3,822	\$ -	\$ -	\$ 12,347,415
Noncapital financing activities	(1,000,177)	-	-	-	-	(1,000,177)
Capital and related financing activities	(6,146,527)	(3,088,182)	(281,398)	(55,551)	-	(9,571,658)
Investing activities	499,432	343,857	72,287	10,795	-	926,371
Net increase (decrease) in cash and cash equivalents	1,622,734	1,329,262	(205,289)	(44,756)	-	2,701,951
Cash and Cash Equivalents, Beginning	21,552,862	7,383,101	2,977,590	292,966	-	32,206,519
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 23,175,596</u>	<u>\$ 8,712,363</u>	<u>\$ 2,772,301</u>	<u>\$ 248,210</u>	<u>\$ -</u>	<u>\$ 34,908,470</u>

	Year ended December 31, 2018					
	Electric	Water	Gray's	Old	Eliminations	Grand Total
			Crossing	Greenwood		
NET CASH PROVIDED BY (USED IN)						
Operating activities	\$ 8,346,474	\$ 4,491,025	\$ -	\$ -	\$ -	\$ 12,837,499
Noncapital financing activities	(1,429,464)	-	-	-	-	(1,429,464)
Capital and related financing activities	(5,164,526)	(5,021,798)	(244,480)	(92,093)	-	(10,522,897)
Investing activities	350,522	310,348	57,337	8,390	-	726,597
Net increase (decrease) in cash and cash equivalents	2,103,006	(220,425)	(187,143)	(83,703)	-	1,611,735
Cash and Cash Equivalents, Beginning	19,449,856	7,603,526	3,164,733	376,669	-	30,594,784
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 21,552,862</u>	<u>\$ 7,383,101</u>	<u>\$ 2,977,590</u>	<u>\$ 292,966</u>	<u>\$ -</u>	<u>\$ 32,206,519</u>

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

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 groundwater 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 with jurisdiction in the Martis Valley Groundwater Basin (MVGB). 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 2013 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 GMP, 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 out to the end of the century was part of the overall Federal study effort.

Partner agencies each adopted the 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 was 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 had two years by statute to review the SGMA Alternative Submittal.

In 2018, DWR was required to undergo groundwater basin prioritization which is the basis for compliance obligation for SGMA. The MVGB had previously been prioritized as medium priority. DWR's final Determination was to re-prioritize MVGB to low priority. This was a significant act that resulted in a direct reduction in regulatory burden and future regulatory costs that would be required for groundwater management. To ensure continued stewardship and management of the MVGB, the District and its local partners have agreed to return to the 2013 GMP framework which was never fully implemented due to SGMA. There was a kick-off meeting for the GMP in 2019 and the three local water agencies have hired a hydrogeologic consultant to prepare the first annual report as required by the GMP. The consultant's report will be presented to the GMP Stakeholder Working Group at the annual meeting in the summer of 2020.

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.

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

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.

NOTE 15 – SUBSEQUENT EVENT

Subsequent to year end, an outbreak of a novel coronavirus (COVID-19) occurred in the United States, along with various other countries globally. On March 11, 2020, the World Health Cooperative assessed the novel coronavirus outbreak and characterized it as a pandemic. Subsequent to the declaration of a pandemic, a variety of federal, state and local governments have taken actions in response to the pandemic, which have ranged by jurisdiction, but are generally expected to result in a variety of negative economic consequences, the scope of which are not currently known or quantifiable. The duration and intensity of the impact of the coronavirus and resulting impact to the District is unknown.

REQUIRED SUPPLEMENTARY INFORMATION

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2019 and 2018

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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Portion of Net Pension Liability	0.32145%	0.31157%	0.30379%	0.29837%	0.29209%	0.09982%
Proportionate Share of The Net Pension Liability	\$12,872,646	\$11,742,137	\$11,975,655	\$10,250,329	\$8,013,400	\$6,210,985
Covered - Employee Payroll	\$7,602,120	\$7,375,933	\$7,071,938	\$6,670,248	\$6,162,431	\$6,278,545
Proportionate Share of the Net Pension Liability as Percentage of Covered Payroll	169.33%	159.20%	168.47%	153.67%	130.04%	98.92%
Plan's Fiduciary Net Position (in \$000s)	\$31,179,414	\$29,308,590	\$27,244,095	\$30,950,578	\$30,725,516	\$30,386,101
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	75.26%	75.26%	73.31%	75.12%	79.31%	89.17%

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

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2019 and 2018

COST SHARING DEFINED BENEFIT PENSION PLANS - CONTINUED

Schedule of Contributions
 Cost Sharing Defined Benefit Plans
 December 31
 Last Ten Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution (Actuarially Determined)	\$1,408,800	\$1,246,476	\$1,138,758	\$1,011,908	\$950,147	\$943,118
Contributions in Relation to the Actuarially Determined Contributions	<u>\$1,408,800</u>	<u>\$1,246,476</u>	<u>\$1,138,758</u>	<u>\$1,048,897</u>	<u>\$949,634</u>	<u>\$943,118</u>
Contribution deficiency (excess)	\$0	\$0	\$0	(\$36,989)	\$513	\$0
Covered - Employee Payroll	\$7,602,120	\$7,375,933	\$7,071,938	\$6,670,248	\$6,162,431	\$6,278,545
Contributions as a percentage of covered-employee payroll	19%	17%	16%	16%	15%	15%

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

TRUCKEE DONNER PUBLIC UTILITY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2019 and 2018

Schedule of Changes in The District's Net OPEB Liability and Related Ratios

Measurement Date:	December 31, 2018	December 31, 2017
Report Date:	December 31, 2019	December 31, 2018
<u>Total OPEB Liability</u>		
Service Cost	\$ 178,856	\$ 170,473
Interest	457,563	448,374
Changes in Benefit Terms	-	-
Differences Between Expected and Actual Experience	(29,828)	-
Changes of Assumptions	(233,084)	-
Benefit Payments	(244,700)	(214,280)
Implicit Rate Subsidy Credit	(270,061)	(254,930)
Net Change in Total OPEB Liability	(141,254)	149,637
Total OPEB Liability - Beginning of Year	6,615,140	6,465,503
Total OPEB Liability - End of Year (a)	\$ 6,473,886	\$ 6,615,140
<u>Plan Fiduciary Net Position</u>		
Net Investment Income	\$ (110,318)	\$ 167,459
Contributions		
Employer - District's Contribution	294,698	256,280
Employer - Implicity Subsidy	270,061	254,930
Benefit Payments, Including Refunds of Employee Contributions	(244,700)	(214,280)
Implicit Rate Subsidy Fulfilled	(270,061)	(254,930)
Administrative Expense	(557)	(519)
Net Change in Plan Fiduciary Net Position	(60,877)	208,940
Plan Fiduciary Net Position - Beginning of Year	2,206,411	1,997,471
Plan Fiduciary Net Position - End of Year (b)	\$ 2,145,534	\$ 2,206,411
District's Net OPEB liability - End of Year = (a) -(b)	\$ 4,328,352	\$ 4,408,729
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	33.14%	33.35%
Covered Employee Payroll	\$ 7,400,587	\$ 7,202,518
District's Net OPEB Liability as a Percentage of Covered-Employee Payroll	58.49%	61.21%

Notes to Schedule: The District adopted GASB 75 for the fiscal Year Ending December 31,2018

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2019 and 2018

Other Post Employment Benefits - Schedule of Investment Returns

	Measurement Date:	December 31, 2018	December 31, 2017
	Report Date:	December 31, 2019	December 31, 2018
Annual Money-Weighted Rate of Return, Net of Investment Expense		-4.94%	8.30%

The annual money-weighted rate of return, net of investment expenses, is the net investment income for the year divided by the average net position for the year (less investment expenses.)

Notes to Schedule: The District adopted GASB 75 for the fiscal Year Ending December 31, 2018.

Other Post Employment Benefits - Schedule of Contributions

	Report Date:	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Actuarially Determined Contribution		\$614,761	\$569,210
Less: Actual Contributions		564,759	511,210
Contribution Deficiency		<u>\$50,002</u>	<u>\$58,000</u>
Covered - Employee Payroll		<u>\$7,400,587</u>	<u>\$7,202,518</u>
Contributions as a Percentage of Covered-Employee Payroll		7.63%	7.10%

Notes to Schedule: The District adopted GASB 75 for the fiscal Year Ending December 31, 2018.

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2019 and 2018

Other Post Employment Benefits - Actuarial Assumptions

Actuarial methods and assumptions used to set the actuarially determined contributions for fiscal year 2019 were from the June 30, 2017 valuation.

Methods and assumptions used to determine contributions:

Assumptions and Methods

Actuarial Cost Method	Entry age normal, level percent of pay
Amortization Method	Closed period, level percent of pay
Amortization Period	20 years
Inflation	2.00%
Assumed Payroll Growth Year 1	2.750%
Healthcare Trend Rates	6.50%, trending down to 3.84% over 57 years
Rate of Return on Assets	7.59%
Mortality Rate	CalPERS Rates utilizing the decrement table Mort and Disb Rates_PA Misc from the CalPERS OPEB assumption model revised December 20, 2017.
Retirement Rates	CalPERS Rates based on CalPERS Experience Study for the period from 1997 to 2014.

SUPPLEMENTARY INFORMATION

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

SUPPLEMENTARY INFORMATION

December 31, 2019

CONSOLIDATING STATEMENT OF NET POSITION

As of December 31, 2019

	Electric Operations	Water Operations	Component Units		Eliminations	Totals
			Gray's Crossing	Old Greenwood		
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES						
CURRENT ASSETS						
Funds						
Operating	\$ 10,006,682	\$ 2,600,325	\$ 113,890	\$ 248,210	\$ -	\$ 12,969,107
Designated	10,727,912	1,907,833	-	-	-	12,635,745
Restricted	2,458,043	4,239,148	2,658,411	-	-	9,355,602
Total Funds	23,192,637	8,747,306	2,772,301	248,210	-	34,960,454
Accounts receivable, net	1,054,052	655,634	6,522,916	795,264	(3,822)	9,024,044
Unbilled revenues	2,095,002	850,444	-	-	-	2,945,446
Accrued interest receivable	59,314	46,282	2,210	2,680	-	110,486
Materials and supplies	560,563	175,981	-	-	-	736,544
Prepaid expenses	370,535	272,705	-	-	-	643,240
Other	60,182	64,577	-	-	-	124,759
Total Current Assets	27,392,285	10,812,929	9,297,427	1,046,154	(3,822)	48,544,973
NON-CURRENT ASSETS						
Other Non-Current Assets						
Restricted funds	-	1,730,450	-	-	-	1,730,450
Special assessments receivable	-	1,562,702	-	-	-	1,562,702
Other	248,925	-	-	-	-	248,925
Total Other Non-Current Assets	248,925	3,293,152	-	-	-	3,542,077
CAPITAL ASSETS						
Utility plant	81,892,502	124,381,490	-	-	-	206,273,992
Accumulated depreciation	(27,996,387)	(50,579,432)	-	-	-	(78,575,819)
Construction work in progress	4,859,810	1,254,269	-	-	-	6,114,079
Total capital assets	58,755,925	75,056,327	-	-	-	133,812,252
DEFERRED OUTFLOWS OF RESOURCES						
Pension	1,410,003	940,003	-	-	-	2,350,006
OPEB	360,158	240,105	-	-	-	600,263
Unamortized loss on refunding	-	511,174	-	-	-	511,174
Unamortized redemption premium	68,152	-	-	-	-	68,152
Total deferred outflows of resources	1,838,313	1,691,282	-	-	-	3,529,595
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 88,235,448	\$ 90,853,690	\$ 9,297,427	\$ 1,046,154	\$ (3,822)	\$ 189,428,897

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

SUPPLEMENTARY INFORMATION

December 31, 2019

	Electric Operations	Water Operations	Component Units		Eliminations	Totals
			Gray's Crossing	Old Greenwood		
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION						
CURRENT LIABILITIES						
Other liabilities						
Accounts payable	\$ 3,043,343	\$ 64,075	\$ 3,822	\$ -	\$ -	\$ 3,111,240
Customer deposits	356,608	98,351	-	-	-	454,959
Other	680,951	318,666	-	-	(3,822)	995,795
Total other liabilities	<u>4,080,902</u>	<u>481,092</u>	<u>3,822</u>	<u>-</u>	<u>(3,822)</u>	<u>4,561,994</u>
Current liabilities payable from restricted assets:						
Current portion of long-term debt	1,000,803	2,239,127	860,000	408,500	-	4,508,430
Accrued interest payable	2,187	118,423	538,868	122,524	-	782,002
Total Current Liabilities Payable from Restricted Assets	<u>1,002,990</u>	<u>2,357,550</u>	<u>1,398,868</u>	<u>531,024</u>	<u>-</u>	<u>5,290,432</u>
Total Current Liabilities	<u>5,083,892</u>	<u>2,838,642</u>	<u>1,402,690</u>	<u>531,024</u>	<u>(3,822)</u>	<u>9,852,426</u>
NON-CURRENT LIABILITIES						
Long-term debt, net of discounts and premiums	1,578,000	16,606,411	28,403,512	8,385,100	-	54,973,023
Net pension liability	7,723,588	5,149,058	-	-	-	12,872,646
OPEB liability	2,597,011	1,731,341	-	-	-	4,328,352
Installment loans	24,942	-	-	-	-	24,942
Unearned revenues	3,431,825	1,143,462	1,289,656	387,762	-	6,252,705
Total non-current liabilities	<u>15,355,366</u>	<u>24,630,272</u>	<u>29,693,168</u>	<u>8,772,862</u>	<u>-</u>	<u>78,451,668</u>
Total Liabilities	<u>20,439,258</u>	<u>27,468,914</u>	<u>31,095,858</u>	<u>9,303,886</u>	<u>(3,822)</u>	<u>88,304,094</u>
DEFERRED INFLOWS OF RESOURCES						
Pension	326,921	217,947	-	-	-	544,868
OPEB	182,916	121,944	-	-	-	304,860
Total deferred inflows of resources	<u>509,837</u>	<u>339,891</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>849,728</u>
NET POSITION						
Net investment in capital assets	56,177,122	56,721,963	(29,263,512)	(8,793,600)	-	74,841,973
Restricted for debt service	2,455,343	5,803,021	2,794,303	-	-	11,052,667
Unrestricted	8,653,888	519,901	4,670,778	535,868	-	14,380,435
Total Net Position	<u>67,286,353</u>	<u>63,044,885</u>	<u>(21,798,431)</u>	<u>(8,257,732)</u>	<u>-</u>	<u>100,275,075</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 88,235,448	\$ 90,853,690	\$ 9,297,427	\$ 1,046,154	\$ (3,822)	\$ 189,428,897

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

SUPPLEMENTARY INFORMATION

December 31, 2019

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

For the Year Ended December 31, 2019

	Electric Operations	Water Operations	Component Units		Eliminations	Totals
			Gray's Crossing	Old Greenwood		
OPERATING REVENUES						
Sales to customers	\$ 24,239,706	\$ 12,789,947	\$ -	\$ -	\$ -	\$ 37,029,653
Interdepartmental sales	1,205,537	2,292	-	-	(1,207,829)	-
Standby fees	19,260	118,320	-	-	-	137,580
Cap and trade proceeds	1,503,495	-	-	-	-	1,503,495
Other	839,980	296,867	-	-	(474,004)	662,843
Total Operating Revenues	27,807,978	13,207,426	-	-	(1,681,833)	39,333,571
OPERATING EXPENSES						
Purchased power	10,754,898	-	-	-	-	10,754,898
Operations and maintenance	5,197,190	5,779,099	-	-	(1,207,829)	9,768,460
Consumer services	1,779,030	888,927	-	-	-	2,667,957
Administration and general	3,362,107	2,884,293	-	-	(474,004)	5,772,396
Depreciation	2,893,711	4,526,540	-	-	-	7,420,251
Total Operating Expenses	23,986,936	14,078,859	-	-	(1,681,833)	36,383,962
Operating Income	3,821,042	(871,433)	-	-	-	2,949,609
NON-OPERATING REVENUE (EXPENSES)						
Special tax revenue	-	-	2,602,680	749,609	-	3,352,289
Investment income	593,366	360,756	73,857	10,603	-	1,038,582
Interest expense	(851)	(628,009)	(1,641,040)	(377,917)	-	(2,647,817)
Amortization	(27,261)	(5,784)	(5,205)	-	-	(38,250)
Other non-operating revenues	-	-	41,423	6,673	-	48,096
Other non-operating expenses	-	-	-	(38,160)	-	(38,160)
Gain (loss) on disposition of assets	7,549	6,199	-	-	-	13,748
Total Non-Operating Expenses	572,803	(266,838)	1,071,715	350,808	-	1,728,488
Income Before Contributions	4,393,845	(1,138,271)	1,071,715	350,808	-	4,678,097
CAPITAL & OTHER CONTRIBUTIONS, net						
Capital Contributions	2,132,170	2,550,929	-	-	-	4,683,099
Intercompany Debt Service - Pension Sidefund	340,293	(340,293)	-	-	-	-
Total Capital and Other Contributions, net	2,472,463	2,210,636	-	-	-	4,683,099
CHANGE IN NET POSITION	6,866,308	1,072,365	1,071,715	350,808	-	9,361,196
NET POSITION - Beginning of Year	60,420,045	61,972,520	(22,870,146)	(8,608,540)	-	90,913,879
NET POSITION - END OF YEAR	\$ 67,286,353	\$ 63,044,885	\$ (21,798,431)	\$ (8,257,732)	\$ -	\$ 100,275,075

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

SUPPLEMENTARY INFORMATION

December 31, 2019

CONSOLIDATING STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2019

	Component Units					Total
	Electric Operations	Water Operations	Gray's Crossing	Old Greenwood	Eliminations	
CASH FLOWS FROM OPERATING ACTIVITIES						
Received from customers	\$ 28,191,131	\$ 12,849,852	\$ -	\$ -	\$ (1,681,833)	\$ 39,359,150
Paid to suppliers for goods and services	(15,354,990)	(6,251,888)	3,822	-	1,681,833	(19,921,223)
Paid to employees for services	(4,566,135)	(2,524,377)	-	-	-	(7,090,512)
Net Cash Flows from Operating Activities	<u>8,270,006</u>	<u>4,073,587</u>	<u>3,822</u>	<u>-</u>	<u>-</u>	<u>12,347,415</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Principal payments on long-term debt	(920,000)	-	-	-	-	(920,000)
Interest payments on long-term debt	(80,177)	-	-	-	-	(80,177)
Net Cash Flows from Noncapital Financing Activities	<u>(1,000,177)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,000,177)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Capital expenditures for utility plant	(7,832,201)	(1,757,297)	-	-	-	(9,589,498)
Cost of disposal of property net of salvage	(176,622)	6,033	-	-	-	(170,589)
Capital contributions, connection and facility fees	1,782,121	758,613	-	-	-	2,540,734
Special assessments receipts	-	732,107	-	-	-	732,107
Special tax receipts	-	-	2,277,822	698,738	-	2,976,560
Principal payments on long-term debt	-	(2,213,093)	(905,000)	(371,200)	-	(3,489,293)
Interest payments on long-term debt	80,175	(614,545)	(1,654,220)	(383,089)	-	(2,571,679)
Cash Flows From Capital and Related Financing Activities	<u>(6,146,527)</u>	<u>(3,088,182)</u>	<u>(281,398)</u>	<u>(55,551)</u>	<u>-</u>	<u>(9,571,658)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest income received	499,432	343,857	72,287	10,795	-	926,371
Cash Flows from Investing Activities	<u>499,432</u>	<u>343,857</u>	<u>72,287</u>	<u>10,795</u>	<u>-</u>	<u>926,371</u>
Net Change in Cash and Cash Equivalents	1,622,734	1,329,262	(205,289)	(44,756)	-	2,701,951
CASH AND CASH EQUIVALENTS – Beginning of Year	<u>21,552,862</u>	<u>7,383,101</u>	<u>2,977,590</u>	<u>292,966</u>	<u>-</u>	<u>32,206,519</u>
CASH AND CASH EQUIVALENTS – END OF YEAR	<u>\$ 23,175,596</u>	<u>\$ 8,712,363</u>	<u>\$ 2,772,301</u>	<u>\$ 248,210</u>	<u>\$ -</u>	<u>\$ 34,908,470</u>

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

SUPPLEMENTARY INFORMATION

December 31, 2019

For the Year Ended December 31, 2019

	Component Units					Total
	Electric Operations	Water Operations	Gray's Crossing	Old Greenwood	Eliminations	
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES						
Operating income	\$ 3,821,042	\$ (871,433)	\$ -	\$ -	\$ -	\$ 2,949,609
Noncash items included in operating income						
Depreciation and amortization	2,893,711	4,526,540	-	-	-	7,420,251
Depreciation charged to other accounts	232,508	245,084	-	-	-	477,592
Intercompany Transfer	340,293	(340,293)	-	-	-	-
Accounts receivable	47,590	(28,000)	-	-	-	19,590
Materials and supplies	150,548	(2,854)	-	-	-	147,694
Prepaid expenses	30,220	11,356	-	-	-	41,576
Accounts payable	(66,421)	(99)	3,822	-	-	(62,698)
Customer deposits	(4,729)	10,720	-	-	-	5,991
Deferred Pension Contributions - GASB 68	820,409	546,938	-	-	-	1,367,347
Deferred OPEB Contributions - GASB 75	(27,688)	(18,461)	-	-	-	(46,149)
Other current liabilities	32,523	(5,911)	-	-	-	26,612
	<u>8,270,006</u>	<u>4,073,587</u>	<u>3,822</u>	<u>-</u>	<u>-</u>	<u>12,347,415</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 8,270,006	\$ 4,073,587	\$ 3,822	\$ -	\$ -	\$ 12,347,415
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE BALANCE SHEET						
Operating	\$ 10,006,682	\$ 2,600,325	\$ 113,890	\$ 248,210	\$ -	\$ 12,969,107
Designated	10,727,912	1,907,833	-	-	-	12,635,745
Restricted bond funds - current	2,458,043	4,239,148	2,658,411	-	-	9,355,602
Restricted bond funds - non-current	-	1,730,450	-	-	-	1,730,450
Total Cash and Investments	<u>23,192,637</u>	<u>10,477,756</u>	<u>2,772,301</u>	<u>248,210</u>	<u>-</u>	<u>36,690,904</u>
Less: Long-term investments	-	(1,698,880)	-	-	-	(1,698,880)
Mark to market adjustment	<u>(17,041)</u>	<u>(66,513)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(83,554)</u>
TOTAL CASH AND CASH EQUIVALENTS	\$ 23,175,596	\$ 8,712,363	\$ 2,772,301	\$ 248,210	\$ -	\$ 34,908,470