

**TRUCKEE DONNER
PUBLIC UTILITY DISTRICT**

CONSOLIDATED FINANCIAL STATEMENTS

Including Independent Auditors' Report

December 31, 2015 and 2014

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REPORT OF INDEPENDENT AUDITORS

The Board of Directors
Truckee Donner Public Utility District

Report on 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, 2015 and 2014, 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 consolidated 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 consolidated 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 financial position of Truckee Donner Public Utility District as of December 31, 2015 and 2014, 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.

REPORT OF INDEPENDENT AUDITORS (continued)

Emphasis of Matter

As discussed in Note 15 to the consolidated financial statements, the District adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, effective January 1, 2014. The beginning-of-year net position has been restated for this change. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the schedule of the District's proportionate share of the net pension liability, the schedule of contributions, and schedule of position of other post-employment benefit plan, be presented to supplement the consolidated financial statements. Such information, although not a part of the 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 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 consolidated financial statements, and other knowledge we obtained during our audit of the 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.

Other Supplementary Information

Our audits were conducted for the purpose of forming opinions on the consolidated financial statements that collectively comprise the District's consolidated financial statements. The consolidating statements of net position, statements of revenues, expenses and changes in net position and cash flows as of and for the year ended December 31, 2015 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating statements of net position, statements of revenues, expenses and changes in net position and cash flows have been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the 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 consolidating statements of net position, statements of revenues, expenses and changes in net position and cash flows are fairly stated in all material respects in relation to the financial statements as a whole.

Mass Adams LLP

Portland, Oregon
June 13, 2016

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2015 and 2014

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, 2015 and 2014. 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 decreased \$3.0 million (7%) from \$40.6 million at December 31, 2014 to \$37.6 million at December 31, 2015, predominantly due to accelerated capital improvements for the Water Utility in addition to decreasing cash reserves associated with 2006 Certificates of Participation (COP) refunding bonds. Upon refunding, a reserve was no longer required as part of the refunding agreement. The majority of the existing reserve was then applied to reduce the principal of the refunding bonds (See note 5).

The District's total net position increased \$3.9 million (5.5%) from \$70.6 million at December 31, 2014, to \$74.5 million at December 31, 2015. The increase was primarily due to a \$3.1 million increase related to capital assets. The District's December 31, 2014 total net position decreased \$14.3 million due to a restatement from \$84.9 million to \$70.6 million as required per first year implementation to comply with GASB statement 68 for pension accounting. (See note 9 and 15).

Operating revenues increased \$0.3 million (1%) from \$32.6 million in 2014 to \$33.0 million in 2015. Electric revenues increased only 0.5% in 2015 as the District experienced another mild winter. Water revenues increased only 1.2%; there was a 3% water rate increase in 2015 that offset reduced revenue from the state mandated drought regulations.

Compared to 2014, the overall operating expenses of the District remained nearly flat at \$30.9 million in 2014 and 2015 respectively.

Non-operating revenues decreased \$0.2 million from \$3.9 million in 2014 to \$3.7 million in 2015 primarily due to decreased investment income from the removal of the reserve on the 2006 COP refunding referenced above. Non-operating expenses decreased \$0.6 million from just under \$3.9 million in 2014 to \$3.3 million in 2015 primarily due to decreased interest expense also primarily attributed to the 2006 COP refunding.

In August 2015, the District refunded (refinanced) the original 2006 COP bonds issued for infrastructure improvements for the Water Utility by issuing 2015 COP bonds through a public offering, saving the District \$2.3 million over the term of the bonds. No other new debt was issued in 2015.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

See accompanying auditors' report.

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2015 and 2014

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 and liabilities, and provides information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the District, and assessing the liquidity and financial flexibility of the District.

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

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

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

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2015 and 2014

DISTRICT HIGHLIGHTS

The condensed financial statements at December 31, 2015, 2014, and 2013 are presented below.

CONSOLIDATED STATEMENT OF NET POSITION

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2015	2014 (as restated)	2013	Increase (Decrease) 2015 - 2014
Current assets	\$ 37,628,590	\$ 40,589,604	\$ 41,785,389	\$ (2,961,014)
Non-current assets:				
Capital assets, net	122,416,668	119,322,462	119,913,559	3,094,206
Restricted assets	1,900,036	1,937,917	1,890,358	(37,881)
Amortized pension obligation	-	-	6,716,354	-
Other long-term assets	5,361,643	6,072,406	6,274,267	(710,763)
Total Assets	<u>167,306,937</u>	<u>167,922,389</u>	<u>176,579,927</u>	<u>(615,452)</u>
Deferred outflows of resources	<u>3,274,459</u>	<u>500,632</u>	<u>-</u>	<u>2,773,827</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 170,581,396</u>	<u>\$ 168,423,021</u>	<u>\$ 176,579,927</u>	<u>\$ 2,158,375</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION				
Current liabilities	\$ 8,845,354	\$ 8,113,551	\$ 8,684,955	\$ 731,803
Non-current Liabilities				
Long-term debt, net of current portion	71,992,962	76,875,680	81,453,756	(4,882,718)
Net pension liability	8,013,400	6,210,985	-	1,802,415
Unearned revenues	4,855,055	4,417,221	4,205,275	437,834
Total Liabilities	<u>93,706,771</u>	<u>95,617,437</u>	<u>94,343,986</u>	<u>(1,910,666)</u>
Deferred inflows of resources	<u>2,341,737</u>	<u>2,168,674</u>	<u>-</u>	<u>173,063</u>
NET POSITION				
Net investment in capital assets	47,043,317	39,661,738	42,944,031	7,381,579
Restricted for debt service	8,569,701	10,521,661	11,096,122	(1,951,960)
Unrestricted	18,919,870	20,453,511	28,195,788	(1,533,641)
Total Net Position	<u>74,532,888</u>	<u>70,636,910</u>	<u>82,235,941</u>	<u>3,895,978</u>
TOTAL LIABILITIES, DEFERRED INFLOW: INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 170,581,396</u>	<u>\$ 168,423,021</u>	<u>\$ 176,579,927</u>	<u>\$ 2,158,375</u>

In 2015 the District implemented Governmental Accounting Standards Board (GASB) Statement of Governmental Accounting Standards (SGAS) No. 68 "Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27" (GASB No. 68). The primary objective of GASB No. 68 is to improve accounting and financial reporting for pensions. Under GASB No. 68, the District is required to report the net pension liability and deferred inflows and outflows in the statement of Net Position. At December 31, 2015 and 2014, the Net Pension Liability was \$8.0 million and \$6.2 million respectively. The District's December 31, 2014 total net position decreased \$14.3 million for the restatement required for this new standard in pension accounting. (See note 9 and 15). Additionally in 2015, the District's current assets decreased \$3.0 million, predominantly due to funding capital improvements for the Water Utility and decreased cash reserve associated with the 2006 COPs refunding (See note 5). A reserve requirement was not required as part of the refunding agreement. The existing reserve was applied toward the purchase of a surety bond and then applied toward reducing the principal of the refunding bonds. Net long-term debt

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2015 and 2014

decreased \$4.9 million, due to the annual reduction of existing debt and the reduction of the 2006 COP bond due to the refunding. (See notes 5). No other new debt was issued in 2015 or 2014. The District's total net position increased \$3.9 million, substantially due to increased investment in capital assets for the Donner Lake substation rebuild, pipeline replacement projects, the reliability enhancement of the District's computer servers, and the residential water meter installation. "Net investment in capital assets," consist of capital assets, net of accumulated depreciation, reduced by the amount of outstanding indebtedness attributable to the acquisition, construction, or improvement of those assets. When there are significant unspent bond proceeds, the portion of related debt is not included in the calculation of this item. Instead, that portion of the debt is included in the net position restricted for capital projects component as an offset to the related unspent bond proceeds.

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

The District had income before capital contributions of \$2.5 million, \$1.7 million, and \$2.1 million for the years ended December 31, 2015, 2014, and 2013, respectively. The District's December 31, 2014 income before capital contributions increased \$0.2 million due to the required restatement for compliance with GASB No. 68 first year implementation for pension accounting. Changes in the District's net position can be determined by reviewing the following Condensed Revenues, Expenses, and Changes in Net Position for the years ended December 31, 2015, 2014, and 2013.

CONDENSED REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	2015	2014 (as restated)	2013	Increase (Decrease) 2015 - 2014
Sales to consumers	\$ 30,818,856	\$ 30,331,953	\$ 30,810,370	\$ 486,903
Other operating revenues	2,158,141	2,296,643	2,852,441	(138,502)
Total Operating Revenues	32,976,997	32,628,596	33,662,811	348,401
Operating expenses	30,892,366	30,879,299	31,286,218	13,067
Operating Income (Loss)	2,084,631	1,749,297	2,376,593	335,334
Non-operating revenues (expenses)	380,837	(53,631)	(303,118)	434,468
Income (loss) before capital contributions	2,465,468	1,695,666	2,073,475	769,802
Capital contributions, net	1,430,510	994,056	824,714	436,454
Change in net position	3,895,978	2,689,722	2,898,189	1,206,256
Net Position, Beginning of Year	70,636,910	82,235,941	79,337,752	(11,599,031)
Less: Restatement for change in accounting principal	-	(14,288,753)	-	-
Net Position, Beginning of Year, as adjusted	70,636,910	67,947,188	79,337,752	(11,599,031)
NET POSITION, END OF YEAR	<u>\$ 74,532,888</u>	<u>\$ 70,636,910</u>	<u>\$ 82,235,941</u>	<u>\$ (10,392,775)</u>

Total operating revenues were \$33.0 million in 2015, \$32.6 million in 2014, and \$33.7 million in 2013. In 2015, electric revenues remained flat, increasing only 0.5% due to continued mild winter weather. Water revenues increased 1.2%; there was a 3% rate increase in 2015 that offset reduced revenue from the state mandated drought regulations.

Total operating expenses were \$30.9 million in 2015, \$30.9 million in 2014, and \$31.3 million in 2013. Compared to 2014, the overall operating expenses of the District remained nearly flat.

See accompanying auditors' report.

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2015 and 2014

Non-operating revenues exceeded non-operating expenses in 2015 by \$0.4 million compared to 2014. This change is primarily attributed to decreased investment income offset by decreased interest expense primarily related to the refunding of the 2006 COPs.

CAPITAL ASSETS

As of December 31, 2015, 2014, and 2013, the District had \$122.4 million, \$119.3 million, and \$119.9 million, respectively, invested in a variety of capital assets, net of accumulated depreciation. A summary of capital assets is reflected in the following schedule.

	2015	2014	2013
Electric distribution facilities	\$ 54,721,615	\$ 51,524,863	\$ 49,307,043
Water distribution facilities	107,005,578	103,049,122	101,559,248
General plant	13,887,881	12,816,635	12,613,092
Sub-totals	175,615,074	167,390,620	163,479,383
Less: Accumulated depreciation	(58,042,448)	(54,475,747)	(50,015,511)
Net of accumulated depreciation	117,572,626	112,914,873	113,463,872
Construction work in progress	4,844,042	6,407,589	6,449,687
Net capital assets	\$ 122,416,668	\$ 119,322,462	\$ 119,913,559

Net capital assets (additions, less retirements and depreciation) increased in 2015 \$3.1 million, after a slight decrease in 2014. This increase is primarily attributed to the Water Utility's replacement of transmission and distribution water lines in addition to ongoing replacement of the antiquated SCADA communication system across the District.

LONG-TERM DEBT

Long-term debt includes revenue bonds and notes payable. At December 31, 2015, 2014, and 2013, the District had \$72.0 million, \$76.9 million, and \$81.4 million, respectively, in long-term debt outstanding, net current maturities.

In August 2015, the 2006 COP bonds issued for the infrastructure improvements for the water utility were partially refunded (refinanced) by issuing 2015 bonds in a public offering, saving the District \$2.3 million over the term of the bonds. The 2015 bonds did not require a reserve fund. Therefore the reserve fund of the 2006 COP bonds was utilized to reduce the principal and secure a surety bond. No other new debt was issued in 2015.

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.

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FINANCIAL STATEMENTS

TRUCKEE DONNER PUBLIC UTILITY DISTRICT
CONSOLIDATED STATEMENTS OF NET POSITION
December 31, 2015 and 2014

ASSETS	<u>2015</u>	<u>2014</u> as restated
CURRENT ASSETS		
Funds		
Operating	\$ 7,134,053	\$ 8,377,543
Designated	11,914,287	12,447,243
Restricted	7,098,010	9,358,084
Total Funds	<u>26,146,350</u>	<u>30,182,870</u>
Accounts receivable, net	7,460,443	6,926,538
Unbilled revenues	2,766,757	2,412,775
Accrued interest receivable	92,981	99,087
Materials and supplies	639,442	634,817
Prepaid expenses	436,902	254,282
Other	85,715	79,235
Total Current Assets	<u>37,628,590</u>	<u>40,589,604</u>
NON-CURRENT ASSETS		
Other Non-Current Assets		
Restricted funds	1,900,036	1,937,917
Special assessments receivable	4,363,790	5,012,321
Other	997,853	1,060,085
Total Other Non-Current Assets	<u>7,261,679</u>	<u>8,010,323</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension	2,632,077	500,632
Unamortized loss on refunding	642,382	-0-
Total Deferred Outflows of Resources	<u>3,274,459</u>	<u>500,632</u>
CAPITAL ASSETS		
Utility plant	175,615,074	167,390,620
Accumulated depreciation	(58,042,448)	(54,475,747)
Construction work in progress	4,844,042	6,407,589
Total Capital Assets	<u>122,416,668</u>	<u>119,322,462</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 170,581,396</u>	<u>\$ 168,423,021</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, 2015 and 2014

NET POSITION AND LIABILITIES	<u>2015</u>	<u>2014</u> as restated
CURRENT LIABILITIES		
Other Liabilities		
Accounts payable	\$ 2,983,101	\$ 2,585,280
Customer deposits	423,502	421,349
Other	766,699	679,328
Total Other Liabilities	<u>4,173,302</u>	<u>3,685,957</u>
Current Liabilities Payable From Restricted Assets		
Current portion of long-term debt	3,754,919	3,458,730
Accrued interest payable	917,133	968,864
Total Current Liabilities Payable from Restricted Assets	<u>4,672,052</u>	<u>4,427,594</u>
Total Current Liabilities	<u>8,845,354</u>	<u>8,113,551</u>
NON-CURRENT LIABILITIES		
Long-term debt, net of discounts and premiums	71,618,432	76,201,994
Net pension liability	8,013,400	6,210,985
Installment loans	374,530	673,686
Unearned revenues	4,855,055	4,417,221
Total Non-Current Liabilities	<u>84,861,417</u>	<u>87,503,886</u>
Total Liabilities	<u>93,706,771</u>	<u>95,617,437</u>
DEFERRED INFLOWS OF RESOURCES		
Pension	2,341,737	2,168,674
Total Deferred Inflows of Resources	<u>2,341,737</u>	<u>2,168,674</u>
NET POSITION		
Net investment in capital assets	47,043,317	39,661,738
Restricted for debt service	8,569,701	10,521,661
Unrestricted	18,919,870	20,453,511
Total Net Position	<u>74,532,888</u>	<u>70,636,910</u>
TOTAL NET POSITION, LIABILITIES, AND DEFERRED INFLOWS OF RESOURCES	<u>\$ 170,581,396</u>	<u>\$ 168,423,021</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, 2015 and 2014

	<u>2015</u>	<u>2014</u> <u>as restated</u>
OPERATING REVENUES		
Sales to customers	\$ 30,818,856	\$ 30,331,953
Standby fees	169,010	174,250
Cap and trade proceeds	965,402	836,193
Other	<u>1,023,729</u>	<u>1,286,200</u>
Total Operating Revenues	<u>32,976,997</u>	<u>32,628,596</u>
OPERATING EXPENSES		
Purchased power	11,348,241	11,414,498
Operations and maintenance	6,804,271	6,762,174
Consumer services	2,159,522	2,318,900
Administration and general	4,054,439	3,976,027
Pension expense	565,373	806,399
Depreciation	<u>5,960,520</u>	<u>5,601,301</u>
Total Operating Expenses	<u>30,892,366</u>	<u>30,879,299</u>
Operating Income	<u>2,084,631</u>	<u>1,749,297</u>
NON-OPERATING REVENUE (EXPENSES)		
Special tax revenue	3,306,080	3,356,052
Investment income	393,002	510,962
Interest expense	(3,141,758)	(3,568,730)
Amortization	10,150	26,297
Other non-operating revenues	34,126	60,066
Other non-operating expenses	(251,753)	(344,353)
Gain (loss) on disposition of assets	<u>30,990</u>	<u>(93,925)</u>
Total Non-Operating Revenue (Expenses)	<u>380,837</u>	<u>(53,631)</u>
Income Before Contributions	2,465,468	1,695,666
CAPITAL & OTHER CONTRIBUTIONS	<u>1,430,510</u>	<u>994,056</u>
CHANGE IN NET POSITION	3,895,978	2,689,722
Net Position - Beginning of Year, before adjustment	70,636,910	82,235,941
Less: Restatement for change in accounting principal	<u>-</u>	<u>(14,288,753)</u>
Net Position - Beginning of Year, as adjusted	<u>70,636,910</u>	<u>67,947,188</u>
NET POSITION - END OF YEAR	<u>\$ 74,532,888</u>	<u>\$ 70,636,910</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, 2015 and 2014

	<u>2015</u>	<u>2014</u> as restated
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from customers	\$ 32,950,562	\$ 32,892,805
Paid to suppliers for goods and services	(18,507,965)	(20,104,405)
Paid to employees for services	(6,159,526)	(5,721,375)
Net Cash Flows from Operating Activities	<u>8,283,071</u>	<u>7,067,025</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Principal payments on long-term debt	(593,000)	(534,000)
Interest payments on long-term debt	(301,725)	(329,150)
Net Cash Flows from Noncapital Financing Activities	<u>(894,725)</u>	<u>(863,150)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital expenditures for utility plant	(9,014,992)	(5,362,033)
Cost of disposal of property net of salvage	(109,189)	(191,182)
Capital contributions, connection and facility fees	1,703,180	1,300,638
Special assessments receipts	648,531	639,627
Special tax receipts	2,686,373	2,689,383
Debt issuance costs	251,754	257,863
Proceeds from refunding	14,781,118	10,231,837
Principal payments on long-term debt	(19,282,345)	(14,264,346)
Interest payments on long-term debt	(3,518,790)	(3,316,194)
Cash Flows From Capital and Related Financing Activities	<u>(11,854,360)</u>	<u>(8,014,407)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income received	419,492	407,855
Cash Flows from Investing Activities	<u>419,492</u>	<u>407,855</u>
Net Change in Cash and Cash Equivalents	(4,046,522)	(1,402,677)
CASH AND CASH EQUIVALENTS – Beginning of Year	<u>30,194,435</u>	<u>31,597,112</u>
CASH AND CASH EQUIVALENTS – END OF YEAR	<u>\$ 26,147,913</u>	<u>\$ 30,194,435</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Developer and customer added capital assets	<u>\$ 167,277</u>	<u>\$ 500</u>
Recognition of prior period unearned revenues	<u>\$ 3,014,152</u>	<u>\$ 3,039,526</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, 2015 and 2014

	2015	2014 as restated
RECONCILIATION OF OPERATING INCOME TO NET CASH		
FLOWS FROM OPERATING ACTIVITIES		
Operating income	\$ 2,084,631	\$ 1,749,297
Noncash items included in operating income		
Depreciation and amortization	5,960,520	5,601,301
Depreciation charged to other accounts	267,722	(89,768)
Pension expense - GASB 68	565,373	806,399
Deferred Pension Contributions - GASB 68	(721,340)	(499,771)
Accounts receivable and unbilled revenues	(236,166)	188,396
Materials and supplies	(4,625)	(81,802)
Prepaid expenses and other current assets	(182,620)	29,306
Accounts payable	397,822	(692,614)
Customer deposits	2,152	75,815
Other current liabilities	149,602	(19,534)
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 8,283,071	\$ 7,067,025
 RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE BALANCE SHEET		
Operating	\$ 7,134,053	\$ 8,377,543
Designated	11,914,287	12,447,243
Restricted funds - current	7,098,010	9,358,084
Restricted funds - non-current	1,900,036	1,937,917
Total Cash and Investments	28,046,386	32,120,787
Less: Long-term investments	(1,698,880)	(1,698,880)
Mark to market adjustments	(199,593)	(227,472)
TOTAL CASH AND CASH EQUIVALENTS	\$ 26,147,913	\$ 30,194,435

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

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

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, 2015 and 2014

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. DESIGNATED ASSETS

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

E. 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.

F. ACCOUNTS RECEIVABLE AND ALLOWANCES FOR DOUBTFUL ACCOUNTS

Accounts receivable are recorded at the invoiced amount and are reported net of allowances of \$51,100 and \$72,000 for 2015 and 2014, respectively.

G. MATERIALS AND SUPPLIES

Materials and supplies are recorded at average cost.

H. 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. Bond issuance costs are expensed in the period incurred.

I. SPECIAL ASSESSMENT RECEIVABLE

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

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

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

J. 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).

K. 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 fair market 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 2015 and 2014; no interest was capitalized in 2015 or in 2014.

L. 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.

M. REVENUE RECOGNITION

The District records estimated revenues earned, but not billed to customers, as of the end of the year. Revenues are recorded as meters are read on a cycle basis throughout each month for electric and water customers. 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.

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

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

N. 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.

O. POWER PURCHASES AND TRANSMISSION

In 1999, the District entered into an agreement with Sierra Pacific Power Company dba NV Energy (SPPC), whereby SPPC will provide transmission services to the District through December 31, 2027. In addition, the District purchases scheduling services from Utah Municipal Power Systems and the scheduling services are included in the monthly power billings from UAMPS. The purchase of transmission services from NV Energy represented 4.6% and 5.1% of total purchased power costs in 2014 and 2015, respectively.

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

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

In 2015 and 2014, the UAMPS contract, along with its appendices, and the WAPA contract for Stampede Dam Hydro comprised the majority of a diversified power portfolio that balanced risk and cost for the District.

P. 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 that they do not need. 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.

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

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

P. CAP AND TRADE PROGRAM PROCEEDS (Continued)

In 2015 and 2014, the District sold its excess allowances in the program auctions and the proceeds were recorded as \$965,402 and \$836,193 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).

Q. INCOME TAXES

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

R. 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 \$674,664 in 2015 and \$806,741 in 2014.

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 levied ad valorem taxes of \$2,631,416 in 2015 and \$2,549,311 in 2014.

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).

S. 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.

T. OTHER – PENSION SIDEFUND

As a result of implementing GASB Statement No. 68, in part 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."

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

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

U. 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.

V. CHANGE IN ACCOUNTING PRINCIPLE

In June 2012, GASB issued Statement No. 68, "*Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27.*" The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. This statement establishes standards for measuring and recognizing liabilities, deferred outflows and deferred inflows of resources, and expenses/expenditures. For defined benefit pensions, this statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. In November 2013, GASB issued Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68.*" This statement requires that at transition, the district recognize a beginning deferred outflow of resources for pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The District's beginning net position was restated for 2014 from \$82.2 million to \$67.9 million as required per first year implementation to comply with these changes. See note 9 and 15 for additional information on the District's current pension plans and related prior period adjustments.

W. DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

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

X. 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.

Y. ACCOUNTING PRONOUNCEMENTS TO BE IMPLEMENTED IN UPCOMING YEARS

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. This statement is effective for the District beginning in 2017. The District has elected not to implement GASB Statement No. 75 early and has not determined its effect on the District's financial statements.

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

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.

Electric Rate Reserve

In compliance with Board rules, the District created an electric rate stabilization fund in anticipation of future costs. During both 2015 and 2014, there was no utilization of these funds to offset increased power costs in lieu of raising electric rates.

Reserve for Future Meters

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

Water Capital Replacement

Starting in 2006, the Board has set aside a portion of water revenues designated for future water infrastructure replacement.

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.

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

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

Debt Service Coverage Fund

Effective 2007, the Board has voluntarily set aside funds to improve the District’s cash-to-debt-service ratio.

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.

As of December 31, board designated accounts consisted of the following:

	<u>2015</u>	<u>2014</u>
Electric capital replacement fund	\$ 3,364,783	\$ 3,041,245
Electric vehicle reserve	351,761	216,279
Electric rate reserve	4,039,629	3,581,285
Reserve for future meters	632,967	795,460
Water capital replacement fund	-	877,256
Water vehicle reserve	79,352	159,333
Prepaid connection fees	79,869	79,464
Debt service coverage fund	3,283,853	3,627,159
Donner Lake Assessment District surcharge fund	82,073	69,762
Totals	<u>\$ 11,914,287</u>	<u>\$ 12,447,243</u>

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

Certificates of Participation: Water

In 2015, a portion of the 2006 Certificates of Participation were refunded. The new 2015 refunding did not require a reserve fund. The reserve fund was liquidated and applied towards reducing the debt principal remaining funds are for scheduled debt service.

Special Tax Bonds: Gray’s Crossing and Old Greenwood

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.

In 2014, the Old Greenwood CFD special tax bonds were refunded. The new 2014 refunding bonds did not require a reserve fund. The reserve fund was liquidated and applied towards reducing the debt principal.

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

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

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.

Glenshire Escrow Account

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

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

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.

Solar Initiative Fund

The California Solar Initiative Senate Bill 1 (SB1) was enacted in 2006, mandating that all publicly-owned electric utilities within the State of California, prepare, adopt and implement a solar rebate program by January 2008 to encourage its customers to install solar energy systems.

In 2007, the Board adopted a rebate program effective January 2008, targeting \$177,400 annually over ten years to be used as rebates for the installation of solar electricity systems and to raise these funds through a customer surcharge.

In 2015, the rebate program exceeded rebate collections eliminating the need to restrict rebate proceeds. The District electric utility will be reimbursed for advancing the rebates with future SB1 collections through 2017.

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

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

AB32 Cap and Trade Auction Fund

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 that they do not need. 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.

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.

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

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

	<u>2015</u>	<u>2014</u>
Certificates of Participation	\$ 641,699	\$ 2,497,964
Special tax bonds	3,036,619	3,328,023
Facilities fees	514,264	657,218
DWR-Prop 55 reserve fund	312,670	311,075
Glenshire escrow accounts	175,403	255,847
Donner Lake Special Assessment District improvement	2,517,494	2,567,157
Donner Lake Special Assessment District reserve fund	800,852	720,978
Solar Initiative	-	66,761
AB 32 Cap and Trade Auction fund	947,269	839,464
Other (area improvement funds)	51,776	51,514
Total Restricted Cash and Cash Equivalents and Investments	<u>\$ 8,998,046</u>	<u>\$ 11,296,001</u>

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

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

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

	<u>2015</u>	<u>2014</u>
Cash and cash equivalents	\$ 26,147,913	\$ 30,194,435
Mark to market adjustment	199,593	227,472
Investments – government bonds	1,698,880	1,698,880
Totals	<u>\$ 28,046,386</u>	<u>\$ 32,120,787</u>

Cash and cash equivalents were \$28,046,386 and \$32,120,787 at December 31, 2015 and 2014, respectively. Cash equivalents substantially consist of investments in the state pooled fund, Placer County pooled fund, money market funds and government bonds. For purposes of the Statements of Cash Flows, the District considers all highly liquid instruments with original maturities of three months or less to be cash equivalents.

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

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, 2015 and 2014 the District's deposits and investments were held as follows:

	<u>2015</u>	<u>2014</u>
Cash on hand	\$ 2,400	\$ 2,000
Deposits	765,515	659,379
LAIF	7,747,679	17,344,044
PCTIP	8,447,363	9,944,623
UPTIF	7,157,159	-
Money Market Funds	2,026,234	2,232,824
Government Bonds	1,900,036	1,937,917
Totals	<u>\$ 28,046,386</u>	<u>\$ 32,120,787</u>

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

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

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 2015 and 2014:

<u>Investment</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
Fidelity Institutional Prime	3 months or less
Fidelity Money Market	3 months or less
Goldman Sachs Tax Free Money Market Fund	3 months or less
Various Certificate of Deposits	3 months or less
Federal Farm Credit Banks	03/02/2021

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 Fidelity Money Market is also not rated. The Fidelity Institutional Prime 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. Goldman Sachs Financial Square Money Market Fund 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.

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

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

CUSTODIAL CREDIT RISK (CONTINUED)

As of December 31, 2015 and 2014 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).

INVESTMENT 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.

INVESTMENT 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.

INVESTMENT 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.

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 3 – CAPITAL ASSETS

Capital assets consist of the following at December 31, 2015 and 2014:

	January 1,			December 31,
	2015	Additions	Reductions	2015
Electric distribution facilities	\$ 51,524,863	\$ 3,777,881	\$ (581,129)	\$ 54,721,615
Water distribution facilities	103,049,122	5,653,380	(1,696,924)	107,005,578
General plant	12,816,635	1,314,555	(243,308)	13,887,881
	167,390,620	10,745,816	(2,521,362)	175,615,074
Less: Accumulated depreciation	(54,475,747)	(6,204,361)	2,637,661	(58,042,448)
Construction work in progress	6,407,589	9,188,877	(10,752,425)	4,844,042
Totals	<u>\$ 119,322,462</u>	<u>\$ 13,730,332</u>	<u>\$ (10,636,125)</u>	<u>122,416,668</u>

	January 1,			December 31,
	2014	Additions	Reductions	2014
Electric distribution facilities	\$ 49,307,043	\$ 2,656,895	\$ (439,075)	\$ 51,524,863
Water distribution facilities	101,559,249	1,684,337	(194,464)	103,049,122
General plant	12,613,090	1,063,399	(859,854)	12,816,635
	163,479,382	5,404,631	(1,493,393)	167,390,620
Less: Accumulated depreciation	(50,015,511)	(5,871,652)	1,411,416	(54,475,747)
Construction work in progress	6,449,688	5,479,022	(5,521,121)	6,407,589
Totals	<u>\$ 119,913,559</u>	<u>\$ 5,012,001</u>	<u>\$ (5,603,098)</u>	<u>\$ 119,322,462</u>

As of December 31, 2015 and 2014, the plant in service included land and land rights of \$2,622,946 which is not being depreciated.

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

NOTE 4 – TELECOMMUNICATION SERVICES

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

Since 2009, the District has been exploring options to sell or lease the existing infrastructure to provide a return on investment in the project. Expenses incurred by the District to date on the broadband project total \$2,834,079, of which \$496,990 was expensed in 2014 for legal fees and preliminary feasibility studies. In 2015 there were no material expenditures for this project.

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 5 – LONG-TERM DEBT

Long-term debt consisted of the following at December 31, 2015:

	January 1, 2015	Additions	Reductions	December 31, 2015	Due within one year
Pension Obligation Bonds					
Electric, 5% due semi-annually	\$ 6,177,000	\$ -	\$ (593,000)	\$ 5,584,000	\$ 656,000
State Revolving Fund Loan – Water, 2.34%, due semi-annually beginning in 2006 to 2026.	8,033,804	-	(616,446)	7,417,358	630,956
Special Tax Bonds – Mello Roos, 4.18%, due serially to 2032	10,344,400	-	(253,900)	10,090,500	279,000
Special Tax Bonds – Mello Roos, 3.25% to 5.7%, due serially to 2035 (net unamortized discounts of \$92,128)	14,588,185	-	(195,313)	14,392,872	230,000
Special Tax Bonds – Mello Roos, 3.50% to 5.50%, due serially to 2035 (net unamortized discounts of \$10,180)	18,019,302	-	(274,483)	17,744,819	310,000
Certificates of Participation – Water, 4.00% to 5.00%, due serially to 2021 A portion was refunded in 2015	20,427,202	-	(16,662,202)	3,765,000	570,000
Certificates of Participation – Water, 2.00% to 4.00%, due serially to 2035 (net premiums of \$529,095)	-	15,120,352	(576,257)	14,544,095	520,000
Department of Water Resources, 3.18%, due semiannually to 2021, secured by real and personal property.	1,787,132	-	(251,685)	1,535,448	259,705
Installment loans, 5.4% to 6.23%, various payment terms and due dates, secured by equipment.	957,385	-	(283,596)	673,789	299,258
Totals	<u>\$ 80,334,410</u>	<u>\$ 15,120,352</u>	<u>\$ (19,706,882)</u>	<u>\$ 75,747,881</u>	<u>\$ 3,754,919</u>

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 5 – LONG-TERM DEBT (Continued)

Long-term debt consisted of the following at December 31, 2014:

	<u>January 1, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31, 2014</u>	<u>Due within one year</u>
Pension Obligation Bonds					
Electric, 5% due semi-annually	\$ 6,711,000	\$ -	\$ (534,000)	\$ 6,177,000	\$ 593,000
State Revolving Fund Loan –					
Water, 2.34%, due semi-annually beginning in 2006 to 2026.	8,636,075	-	(602,271)	8,033,804	616,446
Special Tax Bonds – Mello					
Roos, 2.25% to 5.7%, due serially to 2033 refinanced in January 2014	11,610,000	-	(11,610,000)	-	-
Special Tax Bonds – Mello					
Roos, 4.18%, due serially to 2032	-	10,489,700	(145,300)	10,344,400	253,900
Special Tax Bonds – Mello					
Roos, 3.25% to 5.7%, due serially to 2035 (net unamortized discounts of \$96,815)	14,753,498	-	(165,313)	14,588,185	200,000
Special Tax Bonds – Mello					
Roos, 3.50% to 5.50%, due serially to 2035 (net unamortized discounts of \$10,697)	18,258,785	-	(239,482)	18,019,302	275,000
Certificates of Participation –					
Water, 4.00% to 5.00%, due serially to 2036 (net premiums of \$347,202)	21,411,210	-	(984,008)	20,427,202	985,000
Department of Water Resources, 3.18%, due semiannually to 2021, secured by real and personal property.	2,031,006	-	(243,874)	1,787,132	251,685
Installment loans, 5.4% to 6.23%, various payment terms and due dates, secured by equipment.	1,226,279	-	(268,895)	957,385	283,699
Totals	<u>\$ 84,637,853</u>	<u>\$ 10,489,700</u>	<u>\$ (14,793,143)</u>	<u>\$ 80,334,410</u>	<u>\$ 3,458,730</u>

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

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. The District is also required to fund a reserve account by making semi-annual reserve payments in the amount of \$40,043 for a 10-year period. 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, Truckee Donner Public Utility District Financing Corporation 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. 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 are \$1,600,000 or 10% over the remaining life of issuance.

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.

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 5 – LONG-TERM DEBT (Continued)

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.

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 2015 or in 2014.

Scheduled payments on debt are:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 3,754,919	\$ 3,374,362	\$ 7,129,280
2017	4,001,825	3,230,062	7,231,887
2018	3,931,214	3,074,501	7,005,715
2019	4,195,421	2,919,499	7,114,920
2020	4,474,284	2,745,379	7,219,663
2021-2025	17,951,435	11,170,399	29,121,834
2026-2030	17,366,895	7,487,375	24,854,271
2031-2035	19,645,100	2,933,069	22,578,169
	<u>\$ 75,321,093</u>	<u>\$ 36,934,646</u>	<u>\$ 112,255,739</u>
Plus: Unamortized premiums	529,095		
Less: Unamortized discounts	<u>(102,308)</u>		
	<u>\$ 75,747,881</u>		

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

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, 2015 and 2014, 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, 2015 and 2014:

	<u>January 1,</u> <u>2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31,</u> <u>2015</u>
Unearned tax revenues	\$ 1,630,458	\$ 1,628,346	\$ (1,630,458)	\$ 1,628,346
Development agreement deposits	1,843,013	738,336	(424,505)	2,156,844
Connection fees and other deposits	943,750	1,085,304	(959,189)	1,069,865
Totals	<u>\$ 4,417,221</u>	<u>\$ 3,451,986</u>	<u>\$ (3,014,152)</u>	<u>\$ 4,855,055</u>

	<u>January 1,</u> <u>2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31,</u> <u>2014</u>
Unearned tax revenues	\$ 1,725,595	\$ 1,630,458	\$ (1,725,595)	\$ 1,630,458
Development agreement deposits	1,572,282	590,108	(319,377)	1,843,013
Connection fees and other deposits	907,398	1,030,905	(994,553)	943,750
Totals	<u>\$ 4,205,275</u>	<u>\$ 3,251,471</u>	<u>\$ (3,039,525)</u>	<u>\$ 4,417,221</u>

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 2015 and 2014 respectively, taxes of \$657,576 and \$691,753 were levied by Old Greenwood. Of these amounts, \$328,787 and \$345,877 relate to 2015 and 2014, 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, 2015 and 2014

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 2015 and 2014, taxes of \$2,599,116 and \$2,569,162 respectively were levied by Gray's Crossing. Of this amount, \$1,299,558 and \$1,284,581 relate to 2015 and 2014, and accordingly, are included in tax revenues, the District also received a pre-payment for one participating parcel of \$47,277 which is also accounted for in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. 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.

As of December 31, 2015 and 2014, the assessment receivable from the property owners was \$4,363,790 and \$5,012,321 respectively, of which \$694,710 and \$675,450 is due in the next year. These amounts are shown as Special Assessments Receivable in the Statement of Net Position. The proceeds of the assessment and surcharge are placed in the Donner Lake Special Assessment District Improvement Fund and used to pay the debt service for the water system improvements.

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

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, 2015 are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
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%	6.25%
Required Employer Contributions Rates	10.298%	6.237%

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.

	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Hire Date		
Benefit Formula	2.7% @ 55	2% @ 62
2015 Employer Contributions	\$917,113	\$33,034
2014 Employer Contributions	\$821,641	\$49

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 9 – EMPLOYEE BENEFIT PLANS (Continued)

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

As of December 31, 2015, the District reported net pension liabilities for its proportionate shares of the net pension liability as follows:

Hire Date	Miscellaneous		Total
	Prior to January 1, 2013	On or after January 1, 2013	
Benefit Formula	2.7% @ 55	2% @ 62	
Proportionate Share of Net Pension Liability	\$8,014,258	(\$858)	\$8,013,400

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, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 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 each plan as of June 30, 2015 is as follows:

Hire Date	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Benefit Formula	2.7% @ 55	2% @ 62
Proportion - June 30, 2015	0.29212%	-0.00003%

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 9 – EMPLOYEE BENEFIT PLANS (Continued)

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

For the years ended December 31, 2015 and 2014 the District recognized pension expense of \$565,373 and \$806,399. At December 31, 2015 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$721,340	
Differences between actual and expected experience	60,897	
Changes in assumptions		(576,143)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	373,074	
Net differences between projected and actual earnings on plan investments	1,476,766	(1,765,594)
	<hr/>	<hr/>
Total	<u>\$2,632,077</u>	<u>(\$2,341,737)</u>

\$721,340 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, 2016. 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>
2016	(\$122,982)
2017	(\$122,982)
2018	(\$112,829)
2019	(\$72,207)
2020	\$0
Thereafter	\$0

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 9 – EMPLOYEE BENEFIT PLANS (Continued)

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

Actuarial Assumptions – The actuarial methods and assumptions used for the December 31, 2015 and December 31, 2014 total pension liabilities are as follows:

	Miscellaneous	
	2015	2014
Valuation Date	June 30, 2014	June 30, 2013
Measurement Date	June 30, 2015	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method	
Actuarial Assumptions:		
Discount Rate	7.65%	7.50%
Inflation	2.75%	
Payroll Growth	3.00%	
Salary Increase	Varies by Entry Age and Service	
Investment Rate of Return	7.5% 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 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate - The discount rate used to measure the total pension liability as of December 31, 2015 and 2014 was 7.65% and 7.5%, respectively. 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 7.65% and 7.5% discount rates used are adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65% and 7.5% 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.

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 9 – EMPLOYEE BENEFIT PLANS (Continued)

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

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

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

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown below was adopted by CalPERS' Board effective on July 1, 2015.

Asset Class	New Strategic Allocation	Real Return Years 1-10 (a)	Real Returns Years 11+(b)
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	20.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	1.0%	-0.55%	-1.05%
	<u>100.0%</u>		

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 9 – EMPLOYEE BENEFIT PLANS (Continued)

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

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

Hire Date	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
	2.7% @ 55	2% @ 62
1% Decrease	6.65%	6.65%
Net Pension Liability	\$13,440,473	(\$1,439)
Current Discount Rate	7.65%	7.65%
Net Pension Liability	\$8,014,258	(\$858)
1% Increase	8.65%	8.65%
Net Pension Liability	\$3,534,291	(\$378)

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, 2015 and 2014 respectively the District did not report a payable for outstanding required contributions to the pension plan.

D. DEFERRED COMPENSATION PLAN

The District maintains two deferred compensation plans: a 401(a) and a 457 plan, (the Plans) for certain qualified employees. The District matches 6.78% of eligible employee contributions. In 2015 and 2014, the total match was \$53,605 and \$19,593 in the respective years. The District has no liability for losses under the Plans, but does have the duty of due care that would be required of an ordinary prudent investor. The District has not reflected the Plans’ assets and corresponding liabilities (if any) on the accompanying Statement of Net Position.

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 9 – EMPLOYEE BENEFIT PLANS (Continued)

E. OTHER POST EMPLOYMENT BENEFITS (OPEB)

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

Post employment health care is available to all employees, and qualified dependents, that retire from the District with at least 10 years of service. As of June 30, 2015, there were fifty participants including dependents. The monthly amount paid by the District is capped at \$475 for each participant or \$375 for each participant eligible for Medicare. For participants with less than 20 years of service, the benefit is reduced by 5% for each year. Expenditures for post employment health care benefits are recognized when premiums are paid.

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

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

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

The District's annual OPEB expense is calculated based on the Annual Required Contribution (ARC), an amount actuarially determined in accordance within the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year. The plan's unfunded actuarial accrued liability prior to June 30, 2015 is being amortized as a level percentage of projected payrolls on an open basis, over a period not to exceed 30 years, using the entry age normal cost method. The June 30, 2015 unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis, over a 20 year period, using the actuarial cost method.

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

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 9 – EMPLOYEE BENEFIT PLANS (Continued)

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

Fiscal Year Ended*	Annual Required Contribution (ARC)	Interest and Adjustments	Annual OPEB Cost	Actual Contribution	% of Annual OPEB Cost Contributed	Change in Net OPEB Obligation (Asset)	OPEB Obligation (Asset) Beginning	Net OPEB Obligation (Asset) Ending
06/30/2012	\$ 276,800	\$ 66,671	\$ 343,471	\$ 285,005	83.0%	\$ 58,466	\$ (66,671)	\$ (8,205)
06/30/2013	\$ 267,800	\$ 628	\$ 268,428	\$ 304,556	113.5%	\$ (36,128)	\$ (8,205)	\$ (44,333)
06/30/2014	\$ 267,800	\$ -	\$ 267,800	\$ 268,498	100.3%	\$ (698)	\$ (44,333)	\$ (45,031)
06/30/2015	\$ 647,851	\$ -	\$ 647,851	\$ 274,029	42.3%	\$ 373,822	\$ (45,031)	\$ 328,791

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

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

Significant actuarial assumptions for years prior to June 30, 2015 include:

Actuarial Cost Method	Projected Unit Credit
Asset Valuation Method	Five-year spread of gain/loss, beginning with 2009-10 Gain/loss on market value basis compared to assumption
Discount Rate	7.5%
General Inflation	3% Annual Increase
Amortization of Unfunded Liability	23 years; level annual payments

Significant actuarial assumptions after June 30, 2015 include:

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

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 9 – EMPLOYEE BENEFIT PLANS (Continued)

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

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

Schedule of Retiree Health Plan Funding Progress

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

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

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

NOTE 10 – SELF FUNDED INSURANCE

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

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

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, 2015 and 2014.

STATEMENT OF NET POSITION

	December 31, 2015			
ASSETS	Electric	Water	Gray's Crossing	Old Greenwood
Current assets	\$ 16,871,099	\$ 11,359,701	\$ 8,253,684	\$ 1,144,106
Non-current assets:				
Capital assets, net	47,078,580	75,338,088	-	-
Restricted assets	-	1,900,036	-	-
Other long-term assets	997,853	4,363,790	-	-
Total Noncurrent Assets	<u>48,076,433</u>	<u>81,601,914</u>	<u>-</u>	<u>-</u>
Deferred outflows of resources				
Pension	1,579,246	1,052,831	-	-
Unamortized loss on refunding	-	642,382	-	-
Total Deferred Outflows of Resources	<u>1,579,246</u>	<u>1,695,213</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 66,526,778</u>	<u>\$ 94,656,828</u>	<u>\$ 8,253,684</u>	<u>\$ 1,144,106</u>
 LIABILITIES AND NET POSITION				
LIABILITIES				
Current liabilities	\$ 4,388,630	\$ 2,912,146	\$ 1,124,984	\$ 419,594
Non-current Liabilities				
Long-term debt, net of current portion	4,996,594	25,587,176	31,597,692	9,811,500
Net pension liability	4,808,040	3,205,360	-	-
Unearned revenues	2,585,854	640,855	1,299,558	328,788
Total Noncurrent Liabilities	<u>12,390,488</u>	<u>29,433,391</u>	<u>32,897,250</u>	<u>10,140,288</u>
Total Liabilities	<u>16,779,118</u>	<u>32,345,537</u>	<u>34,022,234</u>	<u>10,559,882</u>
Deferred inflows of resources				
Pension	1,405,042	936,695	-	-
Total Deferred Inflows of Resources	<u>1,405,042</u>	<u>936,695</u>	<u>-</u>	<u>-</u>
Net Position				
Net investment in capital assets	40,828,835	47,786,674	(32,137,692)	(10,090,500)
Restricted for debt service	944,929	4,817,195	2,807,577	-
Unrestricted	6,568,854	8,770,727	3,561,565	674,724
Total Net Position	<u>48,342,618</u>	<u>61,374,596</u>	<u>(25,768,550)</u>	<u>(9,415,776)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 66,526,778</u>	<u>\$ 94,656,828</u>	<u>\$ 8,253,684</u>	<u>\$ 1,144,106</u>

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 11 – SEGMENT DISCLOSURE (Continued)

STATEMENT OF NET POSITION (CONTINUED)

	December 31, 2014 (as restated)			
ASSETS	Electric	Water	Gray's Crossing	Old Greenwood
Current assets	\$ 17,011,546	\$ 14,587,013	\$ 7,823,186	\$ 1,167,859
Non-current assets:				
Capital assets, net	43,384,263	75,938,199	-	-
Restricted assets	-	1,937,917	-	-
Other long term assets	1,060,085	5,012,321	-	-
Total Noncurrent Assets	<u>44,444,348</u>	<u>82,888,437</u>	<u>-</u>	<u>-</u>
Deferred outflows of resources				
Pension	300,379	200,253	-	-
Total Deferred Outflows of Resources	<u>300,379</u>	<u>200,253</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 61,756,273</u>	<u>\$ 97,675,703</u>	<u>\$ 7,823,186</u>	<u>\$ 1,167,859</u>
 LIABILITIES AND NET POSITION				
LIABILITIES				
Current liabilities	\$ 3,877,841	\$ 2,770,236	\$ 1,067,442	\$ 398,032
Non-current Liabilities				
Long-term debt, net of current portion	5,662,339	28,990,354	32,132,487	10,090,500
Net pension liability	3,726,591	2,484,394	-	-
Unearned revenues	2,352,353	434,410	1,284,581	345,877
Total Noncurrent Liabilities	<u>11,741,283</u>	<u>31,909,158</u>	<u>33,417,068</u>	<u>10,436,377</u>
Total Liabilities	<u>15,619,124</u>	<u>34,679,394</u>	<u>34,484,510</u>	<u>10,834,409</u>
Deferred inflows of resources				
Pension	1,301,204	867,470	-	-
Total Deferred Inflows of Resources	<u>1,301,204</u>	<u>867,470</u>	<u>-</u>	<u>-</u>
Net Position				
Net investment in capital assets	37,197,945	45,415,680	(32,607,487)	(10,344,400)
Restricted for debt service	1,109,740	6,659,078	2,752,843	-
Unrestricted	6,528,260	10,054,081	3,193,320	677,850
Total Net Position	<u>44,835,945</u>	<u>62,128,839</u>	<u>(26,661,324)</u>	<u>(9,666,550)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 61,756,273</u>	<u>\$ 97,675,703</u>	<u>\$ 7,823,186</u>	<u>\$ 1,167,859</u>

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 11 – SEGMENT DISCLOSURE (Continued)

STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION

	Year ended December 31, 2015			
	Electric	Water	Gray's Crossing	Old Greenwood
Operating Revenues				
Sales to consumers	\$ 20,505,263	\$ 10,313,593	\$ -	\$ -
Other operating revenues	3,156,585	475,484	-	-
Operating expenses	18,944,380	7,461,394	-	-
Depreciation	2,375,757	3,584,763	-	-
Non-operating revenues (expenses)	106,127	(868,838)	892,774	250,774
Income (loss) before capital contributions	2,447,838	(1,125,918)	892,774	250,774
Capital contributions, net	1,058,835	371,675	-	-
CHANGE IN NET POSITION	3,506,673	(754,243)	892,774	250,774
Net Position, Beginning	44,835,945	62,128,839	(26,661,324)	(9,666,550)
NET POSITION, ENDING	\$ 48,342,618	\$ 61,374,596	\$ (25,768,550)	\$ (9,415,776)

	Year ended December 31, 2014 (as restated)			
	Electric	Water	Gray's Crossing	Old Greenwood
Operating Revenues				
Sales to consumers	\$ 20,229,134	\$ 10,102,819	\$ -	\$ -
Other operating revenues	3,323,656	554,237	-	-
Operating expenses	(19,495,323)	(7,363,925)	-	-
Depreciation	(2,134,453)	(3,466,848)	-	-
Non-operating revenues (expenses)	(4,254)	(822,014)	766,405	(3,768)
Income (loss) before capital contributions	1,918,760	(995,731)	776,405	(3,768)
Capital contributions, net	337,805	656,251	-	-
CHANGE IN NET POSITION	2,256,565	(339,480)	776,405	(3,768)
Net Position, Beginning	53,643,210	65,693,242	(27,437,729)	(9,662,782)
Less, Accumulated adjustment for change in accounting position	(11,063,830)	(3,224,923)	-	-
Net Position, Beginning of year, as adjusted	42,579,380	62,468,319	(27,437,729)	(9,662,782)
NET POSITION, ENDING	\$ 44,835,945	\$ 62,128,839	\$ (26,661,324)	\$ (9,666,550)

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 11 – SEGMENT DISCLOSURE (Continued)

STATEMENTS OF CASH FLOWS

	Year ended December 31, 2015			
	Electric	Water	Gray's Crossing	Old Greenwood
NET CASH PROVIDED BY (USED IN)				
Operating activities	\$ 5,230,727	\$ 3,052,344	\$ -	\$ -
Noncapital financing activities	(894,725)	-	-	-
Capital and related financing activities	(4,820,206)	(6,781,907)	(296,361)	44,114
Investing activities	89,048	324,675	5,042	727
Net increase (decrease) in cash and cash equivalents	(395,156)	(3,404,888)	(291,319)	44,841
Cash and Cash Equivalents, Beginning	13,325,749	13,067,890	3,359,107	441,689
CASH AND CASH EQUIVALENTS, ENDING	\$ 12,930,593	\$ 9,663,002	\$ 3,067,788	\$ 486,530

	Year ended December 31, 2014			
	Electric	Water	Gray's Crossing	Old Greenwood
NET CASH PROVIDED BY (USED IN)				
Operating activities	\$ 3,793,204	\$ 3,273,821	\$ -	\$ -
Noncapital financing activities	(863,150)	-	-	-
Capital and related financing activities	(2,449,929)	(4,177,909)	(133,405)	(1,253,164)
Investing activities	64,574	335,260	6,659	1,362
Net increase (decrease) in cash and cash equivalents	544,699	(568,828)	(126,746)	(1,251,802)
Cash and Cash Equivalents, Beginning	12,781,050	13,636,718	3,485,853	1,693,491
CASH AND CASH EQUIVALENTS, ENDING	\$ 13,325,749	\$ 13,067,890	\$ 3,359,107	\$ 441,689

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 12 – MARTIS VALLEY GROUNDWATER STUDY

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

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

The Martis Valley Groundwater Management Plan (GMP) has been updated 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 will provide the guidance necessary to align groundwater policy. In addition to the updated groundwater management plan, a computer model of the groundwater basin is being developed, which will incorporate available data and enhance understanding of the groundwater basin. A climate change modeling component will be part of the final groundwater model.

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

NOTE 13 – CLAIMS AND JUDGMENTS

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

NOTE 14 – RISK MANAGEMENT

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

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 15 – CHANGE IN ACCOUNTING PRINCIPLE

As a result of implementing GASB Statement No. 68, the District has restated beginning net position as of January 1, 2014 by \$14,288,753 to \$67,947,188. This includes in part of the implementation, the pension side-fund payoff that occurred in 2011 and which had been reported on the Electric Utility as an asset has been written off due to the District's participation in the multi-employer cost-sharing retirement plan with CalPERS. The total impact on the Statement of Net Position as of December 31, 2014 and the Statement of Revenues, Expenses, and Changes in Net Position for the year ended December 31, 2014 is as follows:

CONSOLIDATED STATEMENT OF NET POSITION

	2014	2014
ASSETS	As Restated	Originally Reported
Current assets	\$ 40,589,604	\$ 40,589,604
Non-current assets:		
Capital assets, net	119,322,462	119,322,462
Restricted assets	1,937,917	1,937,917
Amortized pension obligation	-	6,177,000
Other long-term assets	6,072,406	6,072,406
Deferred outflows of resources	<u>500,632</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 168,423,021</u>	<u>\$ 174,099,389</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Current liabilities	\$ 8,113,551	\$ 8,113,551
Non-current Liabilities		
Long-term debt, net of current portion	76,875,680	76,875,680
Net Pension Liability	6,210,985	
Unearned revenues	4,417,221	4,417,221
Total Liabilities	<u>95,617,437</u>	<u>89,406,452</u>
Deferred inflows of resources		
Pension	<u>2,168,674</u>	<u>-</u>
Total Deferred Inflows of Resources	2,168,674	-
NET POSITION		
Invested in capital assets, net of related debt	39,661,738	45,838,738
Restricted for debt service	10,521,661	10,521,661
Unrestricted	<u>20,453,511</u>	<u>28,332,538</u>
Total Net Position	<u>70,636,910</u>	<u>84,692,937</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 168,423,021</u>	<u>\$ 174,099,389</u>

CONDENSED REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	2014	2014
	As Restated	Originally Reported
Sales to consumers	\$ 30,331,953	\$ 30,331,953
Other operating revenues	<u>2,296,643</u>	<u>2,296,643</u>
Total Operating Revenues	32,628,596	32,628,596
Operating expenses	<u>30,879,299</u>	<u>31,112,025</u>
Operating Income (Loss)	1,749,297	1,516,571
Non-operating revenues (expenses)	<u>(53,631)</u>	<u>(53,631)</u>
Income (loss) before capital contributions	1,695,666	1,462,940
Capital contributions, net	<u>994,056</u>	<u>994,056</u>
Change in net position	2,689,722	2,456,996
Net Position, Beginning of Year	82,235,941	82,235,941
Less: Restatement for change in accounting principal	<u>(14,288,753)</u>	<u>-</u>
Net Position, Beginning of Year, as adjusted	<u>67,947,188</u>	<u>82,235,941</u>
NET POSITION, END OF YEAR	<u>\$ 70,636,910</u>	<u>\$ 84,692,937</u>

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REQUIRED SUPPLEMENTARY INFORMATION

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2015 and 2014

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*

	Miscellaneous			
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Hire Date	Prior to	Prior to	On or after	On or after
Benefit Formula	January 1, 2013	January 1, 2013	January 1, 2013	January 1, 2013
	2.7% @ 55	2.7% @ 55	2% @ 62	2% @ 62
Portion of Net Pension Liability	0.29212%	0.09981%	-0.00003%	0.00001%
Proportionate Share of The Net Pension Liability	\$8,014,258	\$6,210,617	(\$858)	\$368
Covered - Employee Payroll	\$5,633,888	\$6,233,597	\$528,543	\$44,948
Proportionate Share of the Net Pension Liability as Percentage of Covered Payroll	142.25%	99.63%	-0.16%	0.82%
Plan's Fiduciary Net Position	\$30,714,838	\$30,384,304	\$10,678	\$1,797
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	79.31%	83.03%	108.74%	83.00%

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

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2015 and 2014

Schedule of Contributions

Cost Sharing Defined Benefit Plans

As of June 30

Last Ten Years*

	Miscellaneous			
	<u>2015</u> <u>Prior to</u> <u>January 1, 2013</u> 2.7% @ 55	<u>2014</u> <u>Prior to</u> <u>January 1, 2013</u> 2.7% @ 55	<u>2015</u> <u>On or after</u> <u>January 1, 2013</u> 2% @ 62	<u>2014</u> <u>On or after</u> <u>January 1, 2013</u> 2% @ 62
Hire Date				
Contractually Required Contribution (Actuarially Determined)	\$917,113	\$936,031	\$33,034	\$7,087
Contributions in Relation to the Actuarially Determined Contributions	\$917,937	\$936,031	\$31,697	\$7,087
Contribution deficiency (excess)	<u>\$824</u>	<u>\$0</u>	<u>(\$1,337)</u>	<u>\$0</u>
Covered - Employee Payroll	\$5,633,888	\$6,233,597	\$528,543	\$44,948
Contributions as a percentage of covered-employee payroll	16.29%	15.02%	6.00%	15.77%

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

TRUCKEE DONNER PUBLIC UTILITY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2015 and 2014

Notes to Schedule

The actuarial methods and assumptions used to set the actuarially determined contributions for the years ended December 31, 2015 and 2014 were derived from the June 30, 2012 and 2011 funding valuation reports.

Methods and Assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	For details, see June 30, 2012 and 2011 Funding Valuation Reports
Asset Valuation Method	Actuarial value of assets. For Details see June 30, 2012 and 2011 Funding Valuation Reports
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	3.0%
Investment Rate of Return	7.5% Net of Pension Plan Investment and Administrative Expenses: includes Inflation
Retirement Age	The probabilities of retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007
Mortality Rate Table	The probabilities of mortality are based on the 2010 CalPERS Experience Study of the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2015 and 2014

POSITION OF OTHER POST EMPLOYMENT BENEFIT PLANS

Retiree Health Plan Funding History

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

Valuation Date*	Accrued Liabilities (AL)	Actuarial Value of Assets (AVA)	Unfunded Liabilities (UL)	Funded Ratio (AVA/AL)	Annual Covered Payroll	UL as a % of Payroll
01/01/2006	\$ 2,328,500	\$ -	\$ 2,328,500	0.0%	\$ 5,542,800	42.0%
01/01/2007	\$ 1,369,600	\$ 198,800	\$ 1,170,800	14.5%	\$ 4,925,600	23.8%
01/01/2009	\$ 1,748,000	\$ 230,900	\$ 1,517,100	13.2%	\$ 5,276,400	28.8%
01/01/2011	\$ 2,501,800	\$ 645,700	\$ 1,856,100	25.8%	\$ 6,307,400	29.4%
07/01/2011	\$ 2,657,000	\$ 661,400	\$ 1,995,600	24.9%	\$ 6,226,000	32.1%
07/01/2013	\$ 2,960,600	\$ 1,079,900	\$ 1,880,700	36.5%	\$ 6,409,000	29.3%
07/01/2015	\$ 6,755,593	\$ 1,579,982	\$ 5,175,611	23.4%	\$ 6,360,511	81.4%

*Retire Health Plan funding began in 2007. Valuations are required once every two years. The valuation date changed to July 1 in compliance with GASB Statement No. 57.

SUPPLEMENTAL INFORMATION

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

SUPPLEMENTARY INFORMATION

CONSOLIDATING STATEMENT OF NET POSITION

As of December 31, 2015

			Component Units			Totals
	Electric Operations	Water Operations	Gray's Crossing	Old Greenw ood		
ASSETS						
CURRENT ASSETS						
Funds						
Operating	\$ 4,225,538	\$ 2,390,816	\$ 31,169	\$ 486,530	\$ -	\$ 7,134,053
Designated	7,756,173	4,158,114	-	-	-	11,914,287
Restricted	947,319	3,114,072	3,036,619	-	-	7,098,010
Total Funds	12,929,030	9,663,002	3,067,788	486,530	-	26,146,350
Accounts receivable, net	1,085,588	553,508	5,163,771	657,576	-	7,460,443
Unbilled revenues	2,068,468	698,289	-	-	-	2,766,757
Accrued interest receivable	7,570	63,286	22,125	-	-	92,981
Materials and supplies	489,387	150,055	-	-	-	639,442
Prepaid expenses	248,451	188,451	-	-	-	436,902
Other	42,605	43,110	-	-	-	85,715
Total Current Assets	16,871,099	11,359,701	8,253,684	1,144,106	-	37,628,590
NON-CURRENT ASSETS						
Other Non-Current Assets						
Restricted funds	-	1,900,036	-	-	-	1,900,036
Special assessments receivable	-	4,363,790	-	-	-	4,363,790
Other	997,853	-	-	-	-	997,853
Total Other Non-Current Assets	997,853	6,263,826	-	-	-	7,261,679
DEFERRED OUTFLOWS OF RESOURCES						
Pension	1,579,246	1,052,831	-	-	-	2,632,077
Unamortized loss on refunding	-	642,382	-	-	-	642,382
Total deferred outflow s of resources	1,579,246	1,695,213	-	-	-	3,274,459
CAPITAL ASSETS						
Utility plant	64,620,008	110,995,066	-	-	-	175,615,074
Accumulated depreciation	(21,732,753)	(36,309,695)	-	-	-	(58,042,448)
Construction work in progress	4,191,325	652,717	-	-	-	4,844,042
Total capital assets	47,078,580	75,338,088	-	-	-	122,416,668
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 66,526,778	\$ 94,656,828	\$ 8,253,684	\$ 1,144,106	\$ -	\$ 170,581,396

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

SUPPLEMENTARY INFORMATION

	Electric Operations	Water Operations	Component Units		Eliminations	Totals
			Gray's Crossing	Old Greenwood		
NET POSITION AND LIABILITIES						
CURRENT LIABILITIES						
Other liabilities						
Accounts payable	\$ 2,935,715	\$ 47,386	\$ -	\$ -	\$ -	\$ 2,983,101
Customer deposits	343,074	80,428	-	-	-	423,502
Other	441,753	324,946	-	-	-	766,699
Total other liabilities	<u>3,720,542</u>	<u>452,760</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,173,302</u>
Current liabilities payable from restricted assets:						
Current portion of long-term debt	665,745	2,270,174	540,000	279,000	-	3,754,919
Accrued interest payable	2,343	189,212	584,984	140,594	-	917,133
Total Current Liabilities Payable from Restricted Assets	<u>668,088</u>	<u>2,459,386</u>	<u>1,124,984</u>	<u>419,594</u>	<u>-</u>	<u>4,672,052</u>
Total Current Liabilities	<u>4,388,630</u>	<u>2,912,146</u>	<u>1,124,984</u>	<u>419,594</u>	<u>-</u>	<u>8,845,354</u>
NON-CURRENT LIABILITIES						
Long-term debt, net of discounts and premiums	4,928,000	25,281,240	31,597,692	9,811,500	-	71,618,432
Net pension liability	4,808,040	3,205,360	-	-	-	8,013,400
Installment loans	68,594	305,936	-	-	-	374,530
Unearned revenues	2,585,854	640,855	1,299,558	328,788	-	4,855,055
Total non-current liabilities	<u>12,390,488</u>	<u>29,433,391</u>	<u>32,897,250</u>	<u>10,140,288</u>	<u>-</u>	<u>84,861,417</u>
Total Liabilities	<u>16,779,118</u>	<u>32,345,537</u>	<u>34,022,234</u>	<u>10,559,882</u>	<u>-</u>	<u>93,706,771</u>
DEFERRED INFLOWS OF RESOURCES						
Pension	1,405,042	936,695	-	-	-	2,341,737
Total deferred inflow s of resources	<u>1,405,042</u>	<u>936,695</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,341,737</u>
NET POSITION						
Net investment in capital assets	40,828,835	47,786,674	(32,137,692)	(10,090,500)	-	46,387,317
Restricted for debt service	944,929	4,817,195	2,807,577	-	-	8,569,701
Unrestricted	6,568,854	8,770,727	3,561,565	674,724	-	19,575,870
Total Net Position	<u>48,342,618</u>	<u>61,374,596</u>	<u>(25,768,550)</u>	<u>(9,415,776)</u>	<u>-</u>	<u>74,532,888</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 66,526,778</u>	<u>\$ 94,656,828</u>	<u>\$ 8,253,684</u>	<u>\$ 1,144,106</u>	<u>\$ -</u>	<u>\$ 170,581,396</u>

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

SUPPLEMENTARY INFORMATION

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

For the Year Ended December 31, 2015

	Electric Operations	Water Operations	Component Units		Eliminations	Totals
			Gray's Crossing	Old Greenw ood		
OPERATING REVENUES						
Sales to customers	\$ 20,505,263	\$ 10,313,593	\$ -	\$ -	\$ -	\$ 30,818,856
Interdepartmental sales	1,083,070	2,063	-	-	(1,085,133)	-
Standby fees	23,170	145,840	-	-	-	169,010
Cap and trade proceeds	965,402	-	-	-	-	965,402
Other	1,084,943	327,581	-	-	(388,795)	1,023,729
Total Operating Revenues	<u>23,661,848</u>	<u>10,789,077</u>	<u>-</u>	<u>-</u>	<u>(1,473,928)</u>	<u>32,976,997</u>
OPERATING EXPENSES						
Purchased pow er	11,348,241	-	-	-	-	11,348,241
Operations and maintenance	3,467,355	4,422,049	-	-	(1,085,133)	6,804,271
Consumer services	1,434,426	725,096	-	-	-	2,159,522
Administration and general	2,355,134	2,088,100	-	-	(388,795)	4,054,439
Pension expense (credit)	339,224	226,149	-	-	-	565,373
Depreciation	2,375,757	3,584,763	-	-	-	5,960,520
Total Operating Expenses	<u>21,320,137</u>	<u>11,046,157</u>	<u>-</u>	<u>-</u>	<u>(1,473,928)</u>	<u>30,892,366</u>
Operating Income	<u>2,341,711</u>	<u>(257,080)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,084,631</u>
NON-OPERATING REVENUE (EXPENSES)						
Special tax revenue	-	-	2,631,416	674,664	-	3,306,080
Investment income	95,854	289,877	14,004	(6,733)	-	393,002
Interest expense	(4,721)	(938,313)	(1,769,866)	(428,858)	-	(3,141,758)
Amortization	-	15,355	(5,205)	-	-	10,150
Other non-operating revenues	-	-	22,425	11,701	-	34,126
Other non-operating expenses	-	(251,753)	-	-	-	(251,753)
Gain (loss) on disposition of assets	14,994	15,996	-	-	-	30,990
Total Non-Operating Expenses	<u>106,127</u>	<u>(868,838)</u>	<u>892,774</u>	<u>250,774</u>	<u>-</u>	<u>380,837</u>
Income Before Contributions	<u>2,447,838</u>	<u>(1,125,918)</u>	<u>892,774</u>	<u>250,774</u>	<u>-</u>	<u>2,465,468</u>
CAPITAL & OTHER CONTRIBUTIONS, net						
Capital Contributions	851,255	579,255	-	-	-	1,430,510
Intercompany Debt Service - Pension Sidefund	207,580	(207,580)	-	-	-	-
Total Capital and Other Contributions, net	<u>1,058,835</u>	<u>371,675</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,430,510</u>
CHANGE IN NET POSITION	<u>3,506,673</u>	<u>(754,243)</u>	<u>892,774</u>	<u>250,774</u>	<u>-</u>	<u>3,895,978</u>
NET POSITION - Beginning of Year	<u>44,835,945</u>	<u>62,128,839</u>	<u>(26,661,324)</u>	<u>(9,666,550)</u>	<u>-</u>	<u>70,636,910</u>
NET POSITION - END OF YEAR	<u>\$ 48,342,618</u>	<u>\$ 61,374,596</u>	<u>\$ (25,768,550)</u>	<u>\$ (9,415,776)</u>	<u>\$ -</u>	<u>\$ 74,532,888</u>

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

SUPPLEMENTARY INFORMATION

CONSOLIDATING STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2015

	Component Units					Total
	Electric Operations	Water Operations	Gray's Crossing	Old Greenw ood	Eliminations	
CASH FLOWS FROM OPERATING ACTIVITIES						
Received from customers	\$ 23,730,002	\$ 10,694,488	\$ -	\$ -	\$ (1,473,928)	\$ 32,950,562
Paid to suppliers for goods and services	(14,568,793)	(5,413,100)	-	-	1,473,928	(18,507,965)
Paid to employees for services	(3,930,482)	(2,229,044)	-	-	-	(6,159,526)
Net Cash Flow s from Operating Activities	<u>5,230,727</u>	<u>3,052,344</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,283,071</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Principal payments on long-term debt	(593,000)	-	-	-	-	(593,000)
Interest payments on long-term debt	(301,725)	-	-	-	-	(301,725)
Net Cash Flow s from Noncapital Financing Activities	<u>(894,725)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(894,725)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Capital expenditures for utility plant	(5,934,322)	(3,080,670)	-	-	-	(9,014,992)
Cost of disposal of property net of salvage	(124,976)	15,787	-	-	-	(109,189)
Capital contributions, connection and facility fees	950,736	752,444	-	-	-	1,703,180
Special assessments receipts	-	648,531	-	-	-	648,531
Special tax receipts	-	-	1,955,963	730,410	-	2,686,373
Debt issuance costs	-	251,754	-	-	-	251,754
Proceeds from refunding	-	14,781,118	-	-	-	14,781,118
Principal payments on long-term debt	(9,318)	(18,544,127)	(475,000)	(253,900)	-	(19,282,345)
Interest payments on long-term debt	297,674	(1,606,744)	(1,777,324)	(432,396)	-	(3,518,790)
Cash Flow s From Capital and Related Financing Activities	<u>(4,820,206)</u>	<u>(6,781,907)</u>	<u>(296,361)</u>	<u>44,114</u>	<u>-</u>	<u>(11,854,360)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest income received	89,048	324,675	5,042	727	-	419,492
Cash Flow s from Investing Activities	<u>89,048</u>	<u>324,675</u>	<u>5,042</u>	<u>727</u>	<u>-</u>	<u>419,492</u>
Net Change in Cash and Cash Equivalents	(395,156)	(3,404,888)	(291,319)	44,841	-	(4,046,522)
CASH AND CASH EQUIVALENTS – Beginning of Year	<u>13,325,749</u>	<u>13,067,890</u>	<u>3,359,107</u>	<u>441,689</u>	<u>-</u>	<u>30,194,435</u>
CASH AND CASH EQUIVALENTS – END OF YEAR	<u>\$ 12,930,593</u>	<u>\$ 9,663,002</u>	<u>\$ 3,067,788</u>	<u>\$ 486,530</u>	<u>\$ -</u>	<u>\$ 26,147,913</u>

NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES

During 2015: \$134,020 and \$33,257 of capital assets were contributed to the electric and water utilities, respectively, by customers and developers.

\$715,464 and \$668,230 of prior period unearned revenues were recognized by the electric and water utilities, respectively.

\$1,284,581 and \$345,877 of prior period unearned revenues were recognized by the component units, Gray's Crossing and Old Greenwood, respectively.

TRUCKEE DONNER PUBLIC UTILITY DISTRICT

SUPPLEMENTARY INFORMATION

For the Year Ended December 31, 2015

	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	\$ 2,341,711	\$ (257,080)	\$ -	\$ -	\$ -	\$ 2,084,631
Noncash items included in operating income						
Depreciation and amortization	2,375,757	3,584,763	-	-	-	5,960,520
Depreciation charged to other accounts	138,239	129,483	-	-	-	267,722
Intercompany Transfer	207,579	(207,579)	-	-	-	-
Pension expense - GASB 68	339,224	226,149	-	-	-	565,373
Deferred Pension Contributions - GASB 68	(432,804)	(288,536)	-	-	-	(721,340)
Accounts receivable and unbilled revenues	(137,756)	(98,410)	-	-	-	(236,166)
Materials and supplies	(18,837)	14,212	-	-	-	(4,625)
Prepaid expenses and other current assets	(91,310)	(91,310)	-	-	-	(182,620)
Accounts payable	398,601	(779)	-	-	-	397,822
Customer deposits	(1,669)	3,821	-	-	-	2,152
Other current liabilities	111,992	37,610	-	-	-	149,602
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 5,230,727</u>	<u>\$ 3,052,344</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,283,071</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE BALANCE SHEET						
Operating	\$ 4,225,538	\$ 2,390,816	\$ 31,169	\$ 486,530	\$ -	\$ 7,134,053
Designated	7,756,173	4,158,114	-	-	-	11,914,287
Restricted bond funds - current	947,319	3,114,072	3,036,619	-	-	7,098,010
Restricted bond funds - non-current	-	1,900,036	-	-	-	1,900,036
Total Cash and Investments	<u>12,929,030</u>	<u>11,563,038</u>	<u>3,067,788</u>	<u>486,530</u>	<u>-</u>	<u>28,046,386</u>
Less: Long-term investments	-	(1,698,880)	-	-	-	(1,698,880)
Mark to market adjustment	1,563	(201,156)	-	-	-	(199,593)
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 12,930,593</u>	<u>\$ 9,663,002</u>	<u>\$ 3,067,788</u>	<u>\$ 486,530</u>	<u>\$ -</u>	<u>\$ 26,147,913</u>