

**TRUCKEE DONNER  
PUBLIC UTILITY DISTRICT**

**CONSOLIDATED FINANCIAL STATEMENTS**

Including Independent Auditors' Report

December 31, 2013 and 2012

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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, 2013 and 2012, 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 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 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, 2013 and 2012, 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)

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the schedules of pension plan funding history and retiree health plan funding history be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures in the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Supplementary Information*

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. The consolidating statements of net position, statements of revenues, expenses and changes in net position and cash flows 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 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 financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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.

*Miss Adams UP*

Portland, Oregon  
May 29, 2014

# TRUCKEE DONNER PUBLIC UTILITY DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2013 and 2012

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### MANAGEMENT'S DISCUSSION AND ANALYSIS

As financial management of the Truckee Donner Public Utility 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, 2013 and 2012. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues, 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 \$2.2 million (5%) from \$44.0 million at December 31, 2012 to \$41.8 million at December 31, 2013, predominantly due to decreased cash reserves associated with the final interest and principal payment for the Electric 2003 Certificates of Participation. A portion of the final payment was made with the reserve fund.

The District's total net position increased \$2.9 million (4%) from \$79.3 million at December 31, 2012, to \$82.2 million at December 31, 2013. The increase was due to a \$4.0 million increase in unrestricted assets and a \$2.5 million increase related to capital assets, less a \$3.6 million decrease in restricted assets.

The operating revenues increased \$0.9 million (3%) from \$32.8 million in 2012 to \$33.7 million in 2013. Electric revenues increased 3% in 2013 due to the milder winter weather in 2012 and additional carbon auction proceeds from California's Cap and Trade Program. (See notes 1(V) and 2). Water revenues remained flat in 2013 compared to the prior year.

Operating expenses of the District increased by \$2.6 million (9%) from \$28.7 million in 2012 to \$31.3 million in 2013 due to higher purchased power costs. These costs were higher due to increased consumption and higher market-priced energy.

Non-operating revenues increased \$0.1 million. Non-operating expenses decreased \$0.3 million due to less interest expense.

No new debt was incurred in 2012 and 2013. The final payment was made on the Electric 2003 COP debt in January 2013 as scheduled. The annual debt service of the 2003 COP was just over \$3 million.

The net position of 2011 and 2012 have been restated to conform to the new reporting and accounting requirements. (See note 1(S)).

### 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), and Supplementary Information.

See accompanying auditors' report.

# TRUCKEE DONNER PUBLIC UTILITY DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2013 and 2012

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### REQUIRED FINANCIAL STATEMENTS

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

The reporting entity consists of the primary government, which has two departments (electric operations and water operations), 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, 2013 and 2012

### DISTRICT HIGHLIGHTS

The condensed financial statements at December 31, 2013, 2012, and 2011 are presented below.

#### CONSOLIDATED STATEMENT OF NET POSITION

<b>ASSETS</b>	<b>2013</b>	<b>2012</b> <b>(as restated)</b>	<b>2011</b> <b>(as restated)</b>	<b>Increase</b> <b>(Decrease)</b> <b>2013 - 2012</b>
Current assets	\$ 41,785,389	\$ 43,965,815	\$ 42,758,766	\$ (2,180,426)
Non-current assets:				
Capital assets, net	119,913,559	119,750,604	121,918,394	162,955
Restricted assets	1,890,358	2,095,966	2,021,017	(205,608)
Amortized pension obligation	6,716,354	7,190,000	7,610,347	(473,646)
Other long-term assets	6,274,267	6,950,835	7,638,887	(676,568)
<b>TOTAL ASSETS</b>	<b>\$ 176,579,927</b>	<b>\$ 179,953,220</b>	<b>\$ 181,947,411</b>	<b>\$ (1,192,867)</b>
<b>LIABILITIES AND NET POSITION</b>				
Current liabilities	\$ 8,684,955	\$ 11,796,526	\$ 10,928,961	\$ (3,111,571)
Non-current Liabilities				
Long-term debt, net of current portion	81,453,756	84,662,903	91,015,783	(3,209,147)
Unearned revenues	4,205,275	4,156,039	4,335,944	49,236
Total Liabilities	94,343,986	100,615,468	106,280,688	(6,271,482)
<b>NET POSITION</b>				
Invested in capital assets, net of related debt	42,944,031	40,485,105	40,542,470	2,458,926
Restricted for debt service	11,096,122	14,667,929	16,187,007	(3,571,807)
Unrestricted	28,195,788	24,184,718	18,937,246	4,011,070
Total Net Position	82,235,941	79,337,752	75,666,723	2,898,189
<b>TOTAL LIABILITIES</b>				
<b>AND NET POSITION</b>	<b>\$ 176,579,927</b>	<b>\$ 179,953,220</b>	<b>\$ 181,947,411</b>	<b>\$ (3,373,293)</b>

In 2013, the District's current assets decreased \$2.2 million, predominantly due to decreased cash reserves associated with the final interest and principal payment for the Electric 2003 Certificates of Participation. A portion of the final payment was made with the reserve fund. (See note 2). Other long-term assets decreased \$0.7 million, due to the scheduled collection of special assessments receivable. Current liabilities decreased \$3.1 million, due to the final payment for the Electric 2003 Certificates of Participation. Net long-term debt decreased \$3.2 million, due to the annual reduction of existing debt. No new debt was issued in 2012 or 2013. The District's total net position increased \$2.9 million, substantially due to increased investment in capital assets for the Southshore overhead reconstruction, the reliability enhancement of the District's computer servers, and the residential water meter installation. "Invested in capital assets, net of related debt," 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.

See accompanying auditors' report.

# TRUCKEE DONNER PUBLIC UTILITY DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2013 and 2012

The District had income before capital contributions of \$2.1 million, \$3.3 million, and \$4.3 million for the years ended December 31, 2013, 2012 and 2011, respectively. Changes in the District's net position can be determined by reviewing the following Condensed Revenues, Expenses, and Changes in Net Position for the years ended December 31, 2013, 2012, and 2011.

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

	2013	2012 (as restated)	2011 (as restated)	Increase (Decrease) 2013 - 2012
Sales to consumers	\$ 30,810,370	\$ 30,383,363	\$ 31,053,129	\$ 427,007
Other operating revenues	2,852,441	2,377,363	2,430,965	475,078
Total Operating Revenues	33,662,811	32,760,726	33,484,094	902,085
Operating expenses	31,286,218	28,746,242	29,284,060	2,539,976
Operating Income (Loss)	2,376,593	4,014,484	4,200,034	(1,637,891)
Non-operating revenues (expenses)	(303,118)	(734,781)	120,210	431,663
Income (loss) before capital contributions	2,073,475	3,279,703	4,320,244	(1,206,228)
Capital contributions, net	824,714	391,325	2,597,582	433,389
<b>Change in net position</b>	2,898,189	3,671,028	6,917,826	(772,839)
Net Position, Beginning of Year	79,337,752	75,666,724	70,367,294	3,671,028
Cumulative Effect of Restatement	-	-	(1,618,397)	-
<b>NET POSITION, END OF YEAR</b>	<b>\$ 82,235,941</b>	<b>\$ 79,337,752</b>	<b>\$ 75,666,723</b>	<b>\$ 2,898,189</b>

Total Operating revenues were \$33.7 million in 2013, and \$32.8 million in 2012 and \$33.5 million in 2011. In 2013, electric revenues increased due to the collection of the AB32 Cap & Trade proceeds discussed in (notes 1(V) and 2) and increased consumption. Water revenue remained flat.

Total operating expenses were \$31.3 million in 2013, \$28.7 million in 2012 and \$29.3 million in 2011. The increase of \$2.5 million (9%) in 2013 was primarily due to increased purchased power costs. These costs were higher due to increased consumption and higher market-priced energy. Consumption was greater in 2013 due to weather and the energy prices returned to normal market-priced energy.

Non-operating revenues increased \$0.1 million. Non-operating expenses decreased \$0.3 million due to less interest expense.

The net position of 2011 and 2012 have been adjusted and restated to conform to the new reporting and accounting requirements. (See note 1(S)).



# TRUCKEE DONNER PUBLIC UTILITY DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2013 and 2012

### CAPITAL ASSETS

As of December 31, 2013, 2012 and 2011, the District had \$119.9 million, \$119.8 million, and \$121.9 million, respectively, invested in a variety of capital assets, net of accumulated depreciation. A summary of capital assets is reflected in the following schedule.

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Electric distribution facilities	\$ 49,307,043	\$ 48,284,640	\$ 46,895,992
Water distribution facilities	101,559,248	101,010,796	102,184,801
General plant	12,613,092	11,962,706	11,709,868
Sub-totals	163,479,383	161,258,142	160,790,661
Less: Accumulated depreciation	(50,015,511)	(46,102,004)	(42,699,978)
Net of accumulated depreciation	113,463,872	115,156,138	118,090,683
Construction work in progress	6,449,687	4,594,466	3,827,711
<b>Net capital assets</b>	<b><u>\$ 119,913,559</u></b>	<b><u>\$ 119,750,604</u></b>	<b><u>\$ 121,918,394</u></b>

Net capital assets (additions, less retirements and depreciation) slightly increased in 2013, but decreased by \$2.2 million (2%) in 2012 due to the lack of new development. Electric distribution assets were replaced at about the same pace as accumulated depreciation and Water distribution assets were replaced at a slower pace.

### LONG-TERM DEBT

Long-term debt includes revenue bonds and notes payable. At December 31, 2013, 2012 and 2011, the District had \$81.4 million, \$84.7 million, and \$91.0 million, respectively, in long-term debt outstanding, including current maturities. No new debt was issued in 2012 and 2013.

### 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  
Accounting & Finance Department  
11570 Donner Pass Road  
Truckee, CA 96161

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## **FINANCIAL STATEMENTS**

**TRUCKEE DONNER PUBLIC UTILITY DISTRICT**  
**CONSOLIDATED STATEMENTS OF NET POSITION**  
December 31, 2013 and 2012

<b>ASSETS</b>	<u>2013</u>	<u>2012</u> as restated
<b>CURRENT ASSETS</b>		
Funds		
Operating	\$ 8,638,342	\$ 8,895,390
Designated	12,495,410	11,281,344
Restricted	10,408,303	13,799,258
Total Funds	<u>31,542,055</u>	<u>33,975,992</u>
Accounts receivable, net	6,829,437	6,617,898
Unbilled revenues	2,411,028	2,365,653
Accrued interest receivable	100,618	105,387
Materials and supplies	553,015	531,416
Prepaid expenses	283,588	315,913
Other	65,648	53,556
Total Current Assets	<u>41,785,389</u>	<u>43,965,815</u>
<b>NON-CURRENT ASSETS</b>		
Other Non-Current Assets		
Restricted funds	1,890,358	2,095,966
Special assessments receivable	5,651,949	6,266,286
Amortized pension obligation	6,716,354	7,190,000
Other	622,318	684,549
Total Other Non-Current Assets	<u>14,880,979</u>	<u>16,236,801</u>
<b>CAPITAL ASSETS</b>		
Utility plant	163,479,382	161,258,142
Accumulated depreciation	(50,015,511)	(46,102,004)
Construction work in progress	6,449,688	4,594,466
Total Utility Plant	<u>119,913,559</u>	<u>119,750,604</u>
<b>TOTAL ASSETS</b>	<u>\$ 176,579,927</u>	<u>\$ 179,953,220</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, 2013 and 2012

<b>NET POSITION AND LIABILITES</b>	2013	2012 as restated
	2013	as restated
<b>CURRENT LIABILITIES</b>		
Other Liabilities		
Accounts payable	\$ 3,277,894	\$ 3,150,894
Customer deposits	345,534	362,276
Other	800,447	784,193
Total Other Liabilities	4,423,875	4,297,363
Current Liabilities Payable From Restricted Assets		
Current portion of long-term debt	3,184,097	6,303,832
Accrued interest payable	1,076,983	1,195,331
Total Current Liabilities Payable from Restricted Assets	4,261,080	7,499,163
Total Current Liabilities	8,684,955	11,796,526
 <b>NON-CURRENT LIABILITIES</b>		
Long-term debt, net of discounts and premiums	80,496,431	83,436,667
Installment loans	957,325	1,226,236
Unearned revenues	4,205,275	4,156,039
Total Non-Current Liabilities	85,659,031	88,818,942
 Total Liabilities	94,343,986	100,615,468
 <b>NET POSITION</b>		
Invested in capital assets, net of related debt	42,944,031	40,485,105
Restricted for debt service	11,096,122	14,667,929
Unrestricted	28,195,788	24,184,718
Total Net Position	82,235,941	79,337,752
 <b>TOTAL NET POSITION AND LIABILITES</b>	\$ 176,579,927	\$ 179,953,220

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, 2013 and 2012

	<u>2013</u>	<u>2012</u> <u>as restated</u>
<b>OPERATING REVENUES</b>		
Sales to customers	\$ 30,810,370	\$ 30,383,363
Water meter surcharge	703,982	741,209
Standby fees	182,580	191,625
Cap and trade proceeds	620,403	242,160
Other	<u>1,345,476</u>	<u>1,202,369</u>
Total Operating Revenues	<u>33,662,811</u>	<u>32,760,726</u>
 <b>OPERATING EXPENSES</b>		
Purchased power	12,306,311	10,571,359
Operations and maintenance	7,190,676	6,953,992
Consumer services	2,563,012	2,543,376
Administration and general	3,798,842	3,603,644
Depreciation	<u>5,427,377</u>	<u>5,073,871</u>
Total Operating Expenses	<u>31,286,218</u>	<u>28,746,242</u>
 Operating Income	<u>2,376,593</u>	<u>4,014,484</u>
 <b>NON-OPERATING REVENUE (EXPENSES)</b>		
Special tax revenue	3,407,806	3,310,837
Investment income	110,423	463,893
Interest expense	(3,834,332)	(4,116,599)
Amortization	25,092	20,230
Other non-operating revenues	58,063	61,502
Other non-operating expenses	(75,062)	(121,467)
Gain (loss) on disposition of assets	<u>4,892</u>	<u>(353,177)</u>
Total Non-Operating Expenses	<u>(303,118)</u>	<u>(734,781)</u>
 Income Before Contributions	2,073,475	3,279,703
 <b>CAPITAL CONTRIBUTIONS</b>	<u>824,714</u>	<u>391,325</u>
 <b>CHANGE IN NET POSITION</b>	2,898,189	3,671,028
 Net Position - Beginning of Year	79,337,752	77,285,121
Cumulative Effect or Restatement (see Note 15)	<u>-</u>	<u>(1,618,397)</u>
	79,337,752	75,666,724
 <b>NET POSITION - END OF YEAR</b>	<u>\$ 82,235,941</u>	<u>\$ 79,337,752</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, 2013 and 2012

	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Received from customers	\$ 33,844,696	\$ 32,800,199
Paid to suppliers for goods and services	(19,126,960)	(15,851,644)
Paid to employees for services	(5,696,530)	(5,655,332)
Net Cash Flows from Operating Activities	9,021,206	11,293,223
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Principal payments on long-term debt	(3,764,000)	(3,538,000)
Interest payments on long-term debt	(353,775)	(448,219)
Net Cash Flows from Noncapital Financing Activities	(4,117,775)	(3,986,219)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital expenditures for utility plant	(5,554,295)	(3,989,918)
Cost of disposal of property net of salvage	(217,638)	(378,784)
Capital contributions, connection and facility fees	671,564	365,973
Special assessments receipts	614,338	604,329
Special tax receipts	2,978,650	2,717,154
Principal payments on long-term debt	(2,539,790)	(2,402,579)
Interest payments on long-term debt	(3,598,906)	(3,784,790)
Cash Flows From Capital and Related Financing Activities	(7,646,077)	(6,868,615)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest income received	388,423	384,705
Cash Flows from Investing Activities	388,423	384,705
<b>Net Change in Cash and Cash Equivalents</b>	(2,354,223)	823,094
CASH AND CASH EQUIVALENTS – Beginning of Year	33,951,335	33,128,241
<b>CASH AND CASH EQUIVALENTS – END OF YEAR</b>	\$ 31,597,112	\$ 33,951,335
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Developer and customer added capital assets	\$ 159,002	\$ 247,338
Recognition of prior period unearned revenues	\$ 2,587,422	\$ 2,563,585

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



**TRUCKEE DONNER PUBLIC UTILITY DISTRICT**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
December 31, 2013 and 2012

	2013	2012
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH</b>		
<b>FLOWS FROM OPERATING ACTIVITIES</b>		
Operating income	\$ 2,376,593	\$ 4,014,484
Noncash items included in operating income		
Depreciation and amortization	5,427,377	5,073,871
Depreciation charged to other accounts	345,496	730,384
Changes in assets and liabilities		
Accounts receivable and unbilled revenues	198,627	187,709
Materials and supplies	(21,599)	15,734
Prepaid expenses and other current assets	32,325	4,145
Accounts payable	126,999	893,277
Customer deposits	(16,742)	(148,236)
Other current liabilities	552,130	521,855
	<u>552,130</u>	<u>521,855</u>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>\$ 9,021,206</u>	<u>\$ 11,293,223</u>
 <b>RECONCILIATION OF CASH AND CASH EQUIVALENTS</b>		
<b>TO THE BALANCE SHEET</b>		
Operating	\$ 8,638,342	\$ 8,895,390
Designated	12,495,410	11,281,344
Restricted funds - current	10,408,303	13,799,258
Restricted funds - non-current	1,890,358	2,095,966
Total Cash and Investments	<u>33,432,413</u>	<u>36,071,958</u>
Less: Long-term investments	(1,698,880)	(1,698,880)
Mark to market adjustment	(136,421)	(421,743)
	<u>(1,835,301)</u>	<u>(2,120,623)</u>
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<u>\$ 31,597,112</u>	<u>\$ 33,951,335</u>

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

# TRUCKEE DONNER PUBLIC UTILITY DISTRICT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

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### NOTES TO FINANCIAL STATEMENTS

#### 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, 2013 and 2012

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

#### *C. USE OF ESTIMATES*

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

#### *D. 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 \$71,800 and \$101,811 for 2013 and 2012, respectively.

#### *G. MATERIALS AND SUPPLIES*

Materials and supplies are recorded at average cost.

#### *H. DEBT PREMIUM AND DISCOUNT*

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. Effective with GASB 65, bond issuance costs are expensed in the period incurred.

#### *I. SPECIAL ASSESSMENT RECEIVABLE*

Special assessments 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, 2013 and 2012

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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 “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).

In 2011, the District refinanced an existing \$7.8 million pension side fund obligation for its participation in CalPERS. (See notes 5 and 9(B)). Prior to 2011, the annual side fund payments were expensed and described in the Notes to Financial Statements. The pension 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. This pension obligation will be amortized through 2022.

*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 2013 and 2012; no interest was capitalized in 2013 or in 2012.

*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, 2013 and 2012

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### 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.

#### *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 Northern California Power Agency (NCPA). These purchases of services represented 8.1% and 8.2% of total purchased power costs in 2013 and 2012, respectively.

Beginning January 1, 2005, the District entered into an agreement with the Western Area Power Administration (WAPA). In accordance with this agreement, the District is entitled to an allocation of power generated by the WAPA system. Because delivery of the power from WAPA to the District is difficult, the District assigns the power from WAPA to NCPA. The scheduler then uses the value of this power to offset power purchases from the Utah Associated Municipal Power System (UAMPS) or other deliverable power purchases.

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 of 2007, the District entered into an agreement with 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 runs through 2024.

In 2013 and 2012, the UAMPS contract, along with its appendices, and the WAPA contract comprised the majority of a diversified power portfolio that balanced risk and cost for the District.

#### *P. INCOME TAXES*

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

# TRUCKEE DONNER PUBLIC UTILITY DISTRICT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

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

#### Q. 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 \$906,339 in 2013 and \$878,950 in 2012.

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 \$2,501,467 in 2013 and \$2,431,887 in 2012.

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).

#### R. 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.

#### S. RECENT ACCOUNTING PRONOUNCEMENTS IMPLEMENTED BY THE DISTRICT

In March 2012, GASB issued Statement No. 65, "*Items Previously Reported as Assets and Liabilities.*" This statement establishes accounting and financial reporting standards that reclassify certain items previously reported as assets and liabilities as deferred outflows or deferred inflows of resources, or as outflows or inflows of resources. This statement also limits the use of the term deferred in presentations. The District implemented GASB Statement No. 65 in 2013 and restated the net position of 2011 and 2012 to conform to the new reporting and accounting requirements. (See note 15).

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

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. This statement establishes standards for measuring and recognizing liabilities, deferred outflows and deferred inflows of resources, and expenses. 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. Note disclosure and required supplementary information requirements about pensions also are addressed. This statement is effective for the District beginning 2015. The District has elected not to early implement GASB Statement No. 68 and has not determined its effect on the District's financial statements.

# TRUCKEE DONNER PUBLIC UTILITY DISTRICT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

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

### U. RECLASSIFICATION

Certain amounts in the 2012 Financial Statements have been reclassified in order to conform to the 2013 presentation.

### V. CAP AND TRADE PROGRAM PROCEEDS

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

In 2012 and 2013, the District sold its excess allowances in the program auctions and the proceeds are recorded as operating revenue. The auction proceeds are held in a restricted fund and are used to purchase qualified renewable power.

# TRUCKEE DONNER PUBLIC UTILITY DISTRICT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

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### 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 2013 and 2012, 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, 2013 and 2012

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### 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>2013</u>	<u>2012</u>
Electric capital replacement fund	\$ 2,162,044	\$ 1,184,854
Electric vehicle reserve	430,177	305,722
Electric rate reserve	3,102,938	2,665,059
Reserve for future meters	1,074,185	682,804
Water capital replacement fund	1,997,251	2,975,677
Water vehicle reserve	-	47,156
Prepaid connection fees	80,707	81,769
Debt service coverage fund	3,588,453	3,287,116
Donner Lake Assessment District surcharge fund	59,655	51,187
Totals	<u>\$ 12,495,410</u>	<u>\$ 11,281,344</u>

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

#### Certificates of Participation: Electric

The terms of the Electric Division's Certificates of Participation require a reserve fund as security for each principal and interest payment as they come due. A reserve fund is set aside as prescribed in the loan documents. These reserve funds are held by Bank of New York Mellon Trust Company. The final principal and interest payment was made on January 1, 2013, fulfilling the requirements of the Certificates of Participation and the reserve fund was liquidated.

#### Certificates of Participation: Water

The terms of the Water Division's Certificates of Participation require a reserve fund as security for each principal and interest payment as they come due. A reserve fund is set aside as prescribed in the loan documents. These reserve funds are held by Bank of New York Mellon Trust Company.

#### Special Tax Bonds: Gray's Crossing and Old Greenwood

The terms of the special tax bonds issued for the Mello-Roos Community Facilities Districts 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.

# TRUCKEE DONNER PUBLIC UTILITY DISTRICT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

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### 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 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.

# TRUCKEE DONNER PUBLIC UTILITY DISTRICT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

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### 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 CO<sub>2</sub> 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>2013</u>	<u>2012</u>
Certificates of Participation	\$ 2,626,063	\$ 5,928,985
Special tax bonds	4,628,502	4,618,483
Facilities fees	-	742,328
DWR-Prop 55 reserve fund	310,338	309,482
Glenshire escrow accounts	337,012	418,036
Donner Lake Special Assessment District improvement	2,469,436	2,651,050
Donner Lake Special Assessment District reserve fund	641,450	560,903
Solar Initiative	300,043	302,022
AB 32 Cap and Trade Auction fund	863,703	242,160
Other (area improvement funds)	122,114	121,775
Total Restricted Cash and Cash Equivalents and Investments	<u>\$ 12,298,661</u>	<u>\$ 15,895,224</u>

**TRUCKEE DONNER PUBLIC UTILITY DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2013 and 2012

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>2013</u>	<u>2012</u>
Cash and cash equivalents	\$ 31,597,112	\$ 33,951,335
Mark to market adjustment	136,421	421,743
Investments – government bonds	1,698,880	1,698,880
Totals	<u>\$ 33,432,413</u>	<u>\$ 36,071,958</u>

Cash and cash equivalents were \$31,404,920 and \$33,951,336 at December 31, 2013 and 2012, 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) and Placer County Treasurer's Investment Portfolio (PCTIP) pooled investment. 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, 2013 and 2012 the District's deposits and investments were held as follows:

	<u>2013</u>	<u>2012</u>
Cash on hand	\$ 1,900	\$ 1,900
Certificate of Deposit	1,271,918	-
Deposits	929,587	785,992
LAIF	17,688,006	27,388,261
PCTIP	9,190,999	-
Money Market Funds	2,459,645	6,196,925
Government Bonds	1,890,358	1,698,880
Totals	<u>\$ 33,432,413</u>	<u>\$ 36,071,958</u>

**TRUCKEE DONNER PUBLIC UTILITY DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2013 and 2012

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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 2013 and 2012:

<u>Investment</u>	<u>Maturity</u>
LAIF	3 months or less
PCTIP	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 and PCTIP 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 Government Tax Free 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, 2013 and 2012

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

#### *CUSTODIAL CREDIT RISK (CONTINUED)*

As of December 31, 2013 and 2012 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.

**TRUCKEE DONNER PUBLIC UTILITY DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2013 and 2012

**NOTE 3 – CAPITAL ASSETS**

Capital assets consist of the following at December 31, 2013 and 2012:

	<b>January 1,</b>			<b>December 31,</b>
	<b>2013</b>	<b>Additions</b>	<b>Reductions</b>	<b>2013</b>
Electric distribution facilities	\$ 48,284,640	\$ 1,839,668	\$ (817,265)	\$ 49,307,043
Water distribution facilities	101,010,796	817,749	(269,296)	101,559,249
General plant	11,962,706	1,200,658	(550,274)	12,613,090
	<u>161,258,142</u>	<u>3,858,075</u>	<u>(1,636,835)</u>	<u>163,479,382</u>
Less: Accumulated depreciation	(46,102,004)	(5,687,929)	1,774,422	(50,015,511)
Construction work in progress	4,594,466	5,722,702	(3,867,480)	6,449,688
Totals	<u>\$ 119,750,604</u>	<u>\$ 3,892,848</u>	<u>\$ (3,729,893)</u>	<u>\$ 119,913,559</u>

	<b>January 1,</b>			<b>December 31,</b>
	<b>2012</b>	<b>Additions</b>	<b>Reductions</b>	<b>2012</b>
Electric distribution facilities	\$ 46,895,993	\$ 1,991,119	\$ (602,472)	\$ 48,284,640
Water distribution facilities	102,184,801	376,002	(1,550,007)	101,010,796
General plant	11,709,866	476,982	(224,142)	11,962,706
	<u>160,790,660</u>	<u>2,844,103</u>	<u>(2,376,621)</u>	<u>161,258,142</u>
Less: Accumulated depreciation	(42,699,978)	(5,366,969)	1,964,943	(46,102,004)
Construction work in progress	3,827,711	14,666,728	(13,899,973)	4,594,466
Totals	<u>\$ 121,918,393</u>	<u>\$ 12,143,862</u>	<u>\$ (14,311,651)</u>	<u>\$ 119,750,604</u>

As of December 31, 2013 and 2012, the plant in service included land and land rights, \$2,622,946 and \$2,622,946 respectively, 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.

# TRUCKEE DONNER PUBLIC UTILITY DISTRICT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

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### 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 has completed the broadband design project and obtained the necessary regulatory approvals and franchises needed to construct and launch the broadband project. Expenses incurred by the District to date on the broadband project total \$2,834,079 of which \$496,990 is included in capital assets on the accompanying Statement of Net Position. During 2013 and 2012, there were no material expenditures for this 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.



**TRUCKEE DONNER PUBLIC UTILITY DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2013 and 2012

**NOTE 5 – LONG-TERM DEBT**

Long-term debt consisted of the following at December 31, 2013:

	<u>January 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31, 2013</u>	<u>Due within one year</u>
Certificates of Participation – Electric, 2.5% to 5.75%, due serially to 2013	\$ 3,285,000	\$ -	\$ (3,285,000)	\$ -	\$ -
Pension Obligation Bonds Electric, 5% due semi-annually	7,190,000	-	(479,000)	6,711,000	534,000
State Revolving Fund Loan – Water, 2.34%, due semi-annually beginning in 2006 to 2026.	9,224,497	-	(588,422)	8,636,075	602,271
Special Tax Bonds – Mello Roos, 2.25% to 5.7%, due serially to 2033	11,765,000	-	(155,000)	11,610,000	180,000
Special Tax Bonds – Mello Roos, 3.25% to 5.7%, due serially to 2035 (net unamortized discounts of \$101,502)	14,886,645	-	(133,147)	14,753,498	170,000
Special Tax Bonds – Mello Roos, 3.50% to 5.50%, due serially to 2035 (net unamortized discounts of \$11,215)	18,468,016	-	(209,231)	18,258,785	240,000
Certificates of Participation – Water, 4.00% to 5.00%, due serially to 2036 (net premiums of \$378,703 and arbitrage of \$7,507).	22,348,924	-	(937,714)	21,411,210	945,000
Department of Water Resources, 3.18%, due semiannually to 2021, secured by real and personal property.	2,267,360	-	(236,354)	2,031,006	243,874
Installment loans, 5.4% to 6.23%, various payment terms and due dates, secured by equipment.	1,531,293	-	(305,014)	1,226,279	268,952
Totals	<u>\$ 90,966,735</u>	<u>\$ -</u>	<u>\$ (6,328,882)</u>	<u>\$ 84,637,853</u>	<u>\$ 3,184,097</u>

**TRUCKEE DONNER PUBLIC UTILITY DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2013 and 2012

NOTE 5 – LONG-TERM DEBT (Continued)

Long-term debt consisted of the following at December 31, 2012:

	<u>January 1, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31, 2012</u>	<u>Due within one year</u>
Certificates of Participation – Electric, 2.5% to 5.75%, due serially to 2013	\$ 6,410,526	\$ -	\$ (3,125,526)	\$ 3,285,000	\$ 3,285,000
Pension Obligation Bonds Electric, 5% due semi-annually	7,618,000	-	(428,000)	7,190,000	479,000
State Revolving Fund Loan – Water, 2.34%, due semi-annually beginning in 2006 to 2026.	9,799,386	-	(574,889)	9,224,497	588,421
Special Tax Bonds – Mello Roos, 2.25% to 5.7%, due serially to 2033	11,895,000	-	(130,000)	11,765,000	155,000
Special Tax Bonds – Mello Roos, 3.25% to 5.7%, due serially to 2035 (net unamortized discounts of \$108,355)	14,994,739	-	(108,094)	14,886,645	140,000
Special Tax Bonds – Mello Roos, 3.50% to 5.50%, due serially to 2035 (net unamortized discounts of \$11,984)	18,647,241	-	(179,225)	18,468,016	210,000
Certificates of Participation – Water, 4.00% to 5.00%, due serially to 2036 (net premiums of \$411,417 and arbitrage of \$7,507).	23,252,802	-	(903,878)	22,348,924	905,000
Department of Water Resources, 3.18%, due semiannually to 2021, secured by real and personal property.	2,496,270	-	(228,910)	2,267,360	236,355
Installment loans, 5.4% to 6.23%, various payment terms and due dates, secured by equipment.	1,835,069	-	(303,776)	1,531,293	305,056
Totals	<u>\$ 96,949,033</u>	<u>\$ -</u>	<u>\$ (5,982,298)</u>	<u>\$ 90,966,735</u>	<u>\$ 6,303,832</u>

# TRUCKEE DONNER PUBLIC UTILITY DISTRICT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

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

On April 3, 2003, the District issued \$26,265,000 of Certificates of Participation, the net proceeds of which were utilized to pay the amounts due to IDACORP for the purchase power contract settlement fees, as well as to cover the associated costs of issuance. The terms of the new Certificates call for debt service payments to be made only from the net revenues of the Electric Division. These revenues are required to be at least equal to 120% of the debt service for each year. On January 1, 2013, the final debt and interest payment were made.

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 for additional information.

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.

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.

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, 2013 and 2012

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### 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. (See notes 1(J) and 9(B)). 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 2013 or in 2012. Scheduled payments on debt are:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 3,184,097	\$ 4,091,248	\$ 7,275,345
2015	3,409,830	3,961,458	7,371,288
2016	3,635,919	3,820,715	7,456,634
2017	3,887,864	3,668,517	7,556,381
2018	3,823,314	3,509,334	7,332,648
2019-2023	19,389,604	14,861,979	34,251,583
2024-2028	16,473,730	10,834,726	27,308,456
2029-2033	21,255,000	6,079,307	27,334,307
2034-2038	9,305,002	804,755	10,109,757
	<u>84,364,360</u>	<u>\$ 51,632,039</u>	<u>\$ 135,996,399</u>
Plus: Unamortized premiums	378,703		
Arbitrage rebate	7,507		
Less: Unamortized discounts	(112,717)		
Total carrying value	<u>\$ 84,637,853</u>		

**TRUCKEE DONNER PUBLIC UTILITY DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2013 and 2012

**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, 2013 and 2012, 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, 2013 and 2012:

	<u>January 1,</u> <u>2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31,</u> <u>2013</u>
Unearned tax revenues	\$ 1,682,210	\$ 1,725,597	\$ (1,682,212)	\$ 1,725,595
Development agreement deposits	1,543,162	333,136	(304,016)	1,572,282
Connection fees and other deposits	930,667	577,945	(601,214)	907,398
Totals	<u>\$ 4,156,039</u>	<u>\$ 2,636,678</u>	<u>\$ (2,587,442)</u>	<u>\$ 4,205,275</u>

  

	<u>January 1,</u> <u>2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31,</u> <u>2012</u>
Unearned tax revenues	\$ 1,628,624	\$ 1,682,212	\$ (1,628,626)	\$ 1,682,210
Development agreement deposits	1,621,811	316,861	(395,510)	1,543,162
Connection fees and other deposits	1,085,509	384,607	(539,449)	930,667
Totals	<u>\$ 4,335,944</u>	<u>\$ 2,383,680</u>	<u>\$ (2,563,585)</u>	<u>\$ 4,156,039</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). During 2013 and 2012 respectively, taxes of \$921,728 and \$890,950 were levied by Old Greenwood. Of these amounts, \$460,864 and \$445,475 relate to 2013 and 2012, 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 2014 and 2013 and are included in unearned revenues on the accompanying Statement of Net Position.

# TRUCKEE DONNER PUBLIC UTILITY DISTRICT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

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

In September 2004, the Community Facilities District No. 04-1 (Gray's Crossing) was formed and issued \$15,375,000 in Special Tax Bonds (the 04-1 Bonds). In 2005, an additional \$19,155,000 (2005 Series) in Special Tax Bonds was issued for the Gray's Crossing CFD. During 2013 and 2012, taxes of \$2,529,460 and \$2,473,474 respectively were levied by Gray's Crossing. Of this amount, \$1,264,730 and \$1,236,737 relate to 2013 and 2012, 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 2014 and 2013 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, 2013 and 2012, the assessment receivable from the property owners was \$5,651,949 and \$6,266,286 respectively, of which \$658,005 and \$639,319 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, 2013 and 2012

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### NOTE 9 – EMPLOYEE BENEFIT PLANS

#### A. CALPERS MISCELLANEOUS 2.7% AT 55 RISK POOL PENSION PLAN

The District and bargaining unit employees elected to participate in the Public Agency portion of California Public Employees' Retirement System (CalPERS) Miscellaneous Risk Pool Pension effective August 21, 2004. On November 15, 2010, the Board of Directors adopted an amendment to the CalPERS Miscellaneous Risk Pool Pension to participate in the 2.7% at 55 Plan, effective January 1, 2011.

In 2012, California's Assembly Bill 340 (AB 340) was signed into law by the Governor with the effective date of January 1, 2013. The District modified its pension plan effective January 1, 2013 to comply with AB 340. The provisions of AB340 require that the District's current employees, who participate in the 2.7% at 55 Plan, contribute at least 50% of normal cost, up to 8% of their wages. District employees hired after January 1, 2013, who do not qualify to participate in the 2.7% at 55 Plan, participate in a new 2% at 62 Plan and pay at least 50% of normal cost, up to 8% of their wages. Additionally, employees participating in the 2% at 62 Plan have an \$110,000 cap on wages eligible for pension calculation. That cap is adjusted annually to equal the social security contribution and benefit base.

Both of the CalPERS Miscellaneous 2.7% at 55 and 2% at 62 Risk Pool Plans are cost-sharing multi-employer defined benefit plans administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. State statutes within the Public Employees' Retirement Law establish a menu of benefit provisions, as well as other requirements. The District selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance or resolution. The CalPERS plan also provides for death and disability benefits. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' comprehensive annual financial report 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>

Prior to January 2013, active plan participants were required to contribute 8% of their annual covered salary, of which the District paid 4% on behalf of the participants. Effective January 2013, active participants are required to contribute 8% of their annual covered salary, of which the District pays 0%. The District is also required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its participants. The required employer contribution rate for fiscal years ending June 30, 2013 and 2012 was 14.525% and 14.113% of payroll for the 2.7% at 55 plan and was 6.250% of payroll for the 2% at 62 plan that started on January 1, 2013. The contribution requirements of the plan participants are established by State statute and the employer contributions rate is established and may be amended by CalPERS.

**TRUCKEE DONNER PUBLIC UTILITY DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2013 and 2012

NOTE 9 – EMPLOYEE BENEFIT PLANS (Continued)

The District's annual pension cost (APC) for the years ended December 31, 2013, 2012, and 2011 respectively was \$900,290, \$1,094,372, and \$1,238,501, and was equal to the District's annual required contributions (ARC) as determined by the June 30, 2012, 2011 and 2010 actuarial valuations using the entry age normal actuarial cost method with the contributions determined as a percent of payroll. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. Significant actuarial assumptions and methods include:

Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	19 Years as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market
Investment Rate of Return	7.50% (Net of Administrative Expenses)
Projected Salary Increases	3.30% - 14.20%
Inflation	2.75%
Payroll Growth	3.00%
Individual Salary Growth	Merit scale varying by duration of employment, annual inflation growth of 2.75%, and annual production growth of 0.25%

The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis over a period not to exceed 30 years.

Retirement plans like the District's with less than 100 active members are required to participate in a risk pool. Therefore, the funding progress for the District for the June 30 valuation dates are for the entire pool, not just the District employees. The following are funding schedules for the current and former CalPERS pooled pension plans:

**Schedule of Pension Plan Funding Progress - 2.7% @ 55 (Started Participation January 1, 2011)**

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
06/30/2010	\$2,297,871,345	\$1,815,671,616	\$ 482,199,729	79.0%	\$ 434,023,381	111.1%
06/30/2011	\$2,486,708,579	\$1,981,073,089	\$ 505,635,490	79.7%	\$ 427,300,410	118.3%
06/30/2012	\$2,680,181,441	\$2,178,799,790	\$ 501,381,651	81.3%	\$ 417,600,034	120.1%

**Schedule of Pension Plan Funding Progress - 2.0% @ 60 (Started Participation January 1, 2013)**

This is a new CalPERS plan; no funding history is available.

As of July 1, 2013, the District's contribution rate changed from 14.525% to 15.064% of payroll for the 2.7% at 55 plan and remained at 6.25% of payroll for the 2% at 62 plan.



# TRUCKEE DONNER PUBLIC UTILITY DISTRICT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

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

#### *B. EXISTING PENSION OBLIGATION - PENSION SIDE FUND*

At the time of joining the CalPERS Miscellaneous Risk Pool, an employer side fund was created to account for the difference between the funded status of the pool and the funded status of the District's plan. The side fund used the actuarial assumption of a 7.75% investment return and it was amortized on a closed basis, ending in 2022. On June 30, 2011, the District refinanced the existing \$7.8 million pension side fund obligation with amortized payments through 2022 and a 5% rate. (See notes 1(J) and 5). In 2012, a portion of the debt service of the existing pension obligation was paid by the employees as a 3.5% payroll deduction. The remaining debt service is paid by the District and recorded as pension expense; allocated 63% to the Electric Utility and 37% to the Water Utility. The net side fund pension expense for 2013 and 2012 respectively was \$832,775 and \$609,320.

#### *C. DEFERRED COMPENSATION PLAN*

The District maintains two deferred compensation plans: a 401(a) and a 457 plan, (the Plans) for certain employees. 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.

#### *D. 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.

The District began providing post employment health care on January 1, 2000 to all employees, and qualified dependents, that retire from the District on or after attaining age 60 with service of at least 20 years. As of June 30, 2013, there were thirty eight participants including dependents. The monthly amount paid by the District is capped at \$475 for each participant or \$375 for each participant eligible for Medicare. For participants with less than 20 years of service, the benefit is reduced by 5% for each year. For participants who retired prior to age 60, the benefit is reduced by 2% 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).

**TRUCKEE DONNER PUBLIC UTILITY DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2013 and 2012

NOTE 9 – EMPLOYEE BENEFIT PLANS (Continued)

*D. OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)*

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 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 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 following table shows the components of the District’s annual OPEB cost, the amount actually contributed to the plan, and changes in the net OPEB obligation to the Retiree Health Plan:

<b>Fiscal Year Ended*</b>	<b>Annual Required Contribution (ARC)</b>	<b>Interest and Adjustments</b>	<b>Annual OPEB Cost</b>	<b>Actual Contribution</b>	<b>% of Annual OPEB Cost Contributed</b>	<b>Change in Net OPEB Obligation (Asset)</b>	<b>OPEB Obligation (Asset) Beginning</b>	<b>Net OPEB Obligation (Asset) Ending</b>
12/31/2010	\$ 207,600	\$ -	\$ 207,600	\$ 212,008	102.1%	\$ (4,408)	\$ (97,284)	\$ (101,692)
12/31/2011	\$ 271,200	\$ 1,322	\$ 272,522	\$ 237,501	87.1%	\$ 35,021	\$ (101,692)	\$ (66,671)
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)

\*In 2011, the *Fiscal Year Ended* date changed to June 30 in compliance with GASB Statement No. 57.

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.

**TRUCKEE DONNER PUBLIC UTILITY DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2013 and 2012

NOTE 9 – EMPLOYEE BENEFIT PLANS (Continued)

*D. OTHER POST EMPLOYMENT BENEFITS (OPEB)* (Continued)

Significant actuarial assumptions 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

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

**Schedule of Retiree Health Plan Funding Progress**

<b>Valuation Date*</b>	<b>Accrued Liabilities (AL)</b>	<b>Actuarial Value of Assets (AVA)</b>	<b>Unfunded Liabilities (UL)</b>	<b>Funded Ratio (AVA/AL)</b>	<b>Annual Covered Payroll</b>	<b>UL as a % of Payroll</b>
01/01/2009	\$ 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%

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

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, 2013 and 2012

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, 2013 and 2012.

*STATEMENT OF NET POSITION*

	<b>December 31, 2013</b>			
<b>ASSETS</b>	<b>Electric</b>	<b>Water</b>	<b>Gray's Crossing</b>	<b>Old Greenwood</b>
Current assets	\$ 16,605,360	\$ 15,104,096	\$ 7,438,003	\$ 2,637,930
Non-current assets:				
Capital assets, net	42,535,768	77,377,791	-	-
Restricted assets	-	1,890,358	-	-
Other long-term assets	7,338,672	5,651,949	-	-
Total Noncurrent Assets	<u>49,874,440</u>	<u>84,920,098</u>	<u>-</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u>\$ 66,479,800</u>	<u>\$ 100,024,194</u>	<u>\$ 7,438,003</u>	<u>\$ 2,637,930</u>
<b>LIABILITIES AND NET POSITION</b>				
<b>LIABILITIES</b>				
Current liabilities	\$ 4,500,766	\$ 2,765,623	\$ 1,008,718	\$ 409,848
Non-current Liabilities				
Long-term debt, net of current portion	6,264,658	31,156,815	32,602,283	11,430,000
Unearned revenues	2,071,166	408,514	1,264,731	460,864
Total Noncurrent Liabilities	<u>8,335,824</u>	<u>31,565,329</u>	<u>33,867,014</u>	<u>11,890,864</u>
Total Liabilities	<u>12,836,590</u>	<u>34,330,952</u>	<u>34,875,732</u>	<u>12,300,712</u>
Net Position				
Invested in capital assets, net of related debt	42,526,857	45,039,457	(33,012,283)	(11,610,000)
Restricted for debt service	1,161,905	6,172,282	2,746,567	1,015,368
Unrestricted	9,954,448	14,481,503	2,827,987	931,850
Total Net Position	<u>53,643,210</u>	<u>65,693,242</u>	<u>(27,437,729)</u>	<u>(9,662,782)</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 66,479,800</u>	<u>\$ 100,024,194</u>	<u>\$ 7,438,003</u>	<u>\$ 2,637,930</u>

**TRUCKEE DONNER PUBLIC UTILITY DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2013 and 2012

NOTE 11 – SEGMENT DISCLOSURE (Continued)

*STATEMENT OF NET POSITION (CONTINUED)*

<b>ASSETS</b>	<b>December 31, 2012 (as restated)</b>			
	<b>Electric</b>	<b>Water</b>	<b>Gray's Crossing</b>	<b>Old Greenwood</b>
Current assets	\$ 18,579,245	\$ 15,745,788	\$ 7,048,247	\$ 2,592,535
Non-current assets:				
Capital assets, net	41,434,065	78,316,539	-	-
Restricted assets	-	2,095,966	-	-
Other long term assets	7,874,549	6,266,286	-	-
Total Noncurrent Assets	49,308,614	86,678,791	-	-
<b>TOTAL ASSETS</b>	<b>\$ 67,887,859</b>	<b>\$ 102,424,579</b>	<b>\$ 7,048,247</b>	<b>\$ 2,592,535</b>
<b><i>LIABILITES AND NET POSITION</i></b>				
<b>LIABILITIES</b>				
Current liabilities	\$ 7,749,323	\$ 2,705,966	\$ 953,910	\$ 387,327
Non-current Liabilities				
Long-term debt, net of current portion	6,807,568	33,240,673	33,004,662	11,610,000
Unearned revenues	2,079,667	394,160	1,236,737	445,475
Total Noncurrent Liabilites	8,887,235	33,634,833	34,241,399	12,055,475
Total Liabilities	16,636,558	36,340,799	35,195,309	12,442,802
Net Position				
Invested in capital assets, net of related debt	41,375,462	44,229,305	(33,354,662)	(11,765,000)
Restricted for debt service	4,441,721	6,461,573	2,747,811	1,016,824
Unrestricted	5,434,118	15,392,902	2,459,789	897,909
Total Net Position	51,251,301	66,083,780	(28,147,062)	(9,850,267)
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 67,887,859</b>	<b>\$ 102,424,579</b>	<b>\$ 7,048,247</b>	<b>\$ 2,592,535</b>

**TRUCKEE DONNER PUBLIC UTILITY DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2013 and 2012

NOTE 11 – SEGMENT DISCLOSURE (Continued)

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

	Year ended December 31, 2013			
	Electric	Water	Gray's Crossing	Old Greenwood
Operating Revenues				
Sales to consumers	\$ 20,939,839	\$ 9,870,531	\$ -	\$ -
Other operating revenues	3,273,535	1,189,975	-	-
Operating expenses	(20,106,635)	(7,363,275)	-	-
Depreciation	(1,989,264)	(3,438,113)	-	-
Non-operating revenues (expenses)	4,886	(1,204,822)	709,333	187,485
Income (loss) before capital contributions	2,122,361	(945,704)	709,333	187,485
Capital contributions, net	269,548	555,166	-	-
<b>CHANGE IN NET POSITION</b>	2,391,909	(390,538)	709,333	187,485
Net Position, Beginning	51,251,301	66,083,780	(28,147,062)	(9,850,267)
<b>NET POSITION, ENDING</b>	<b>\$ 53,643,210</b>	<b>\$ 65,693,242</b>	<b>\$ (27,437,729)</b>	<b>\$ (9,662,782)</b>

	Year ended December 31, 2012 (as restated)			
	Electric	Water	Gray's Crossing	Old Greenwood
Operating Revenues				
Sales to consumers	\$ 20,589,369	\$ 9,793,994	\$ -	\$ -
Other operating revenues	2,770,920	1,234,191	-	-
Operating expenses	(18,010,608)	(7,289,511)	-	-
Depreciation	(1,673,256)	(3,400,615)	-	-
Non-operating revenues (expenses)	(311,995)	(1,166,045)	580,024	163,236
Income (loss) before capital contributions	3,364,430	(827,986)	580,024	163,236
Capital contributions, net	323,371	67,954	-	-
<b>CHANGE IN NET POSITION</b>	3,687,801	(760,032)	580,024	163,236
Net Position, Beginning	47,563,500	67,531,808	(28,069,824)	(9,740,363)
Cumulative Effect of Restatement	-	(687,996)	(657,262)	(273,140)
<b>NET POSITION, ENDING</b>	<b>\$ 51,251,301</b>	<b>\$ 66,083,780</b>	<b>\$ (28,147,062)</b>	<b>\$ (9,850,267)</b>

**TRUCKEE DONNER PUBLIC UTILITY DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2013 and 2012

NOTE 11 – SEGMENT DISCLOSURE (Continued)

*STATEMENTS OF CASH FLOWS*

	Year ended December 31, 2013			
	Electric	Water	Gray's Crossing	Old Greenwood
<b>NET CASH PROVIDED BY (USED IN)</b>				
Operating activities	\$ 5,097,721	\$ 3,923,485	\$ -	\$ -
Noncapital financing activities	(4,117,775)	-	-	-
Capital and related financing activities	(2,839,536)	(4,771,482)	(39,067)	4,008
Investing activities	42,853	332,552	7,153	5,865
<b>Net increase (decrease) in cash and cash equivalents</b>	(1,816,737)	(515,445)	(31,914)	9,873
Cash and Cash Equivalents, Beginning	14,597,787	14,152,163	3,517,767	1,683,618
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<b>\$ 12,781,050</b>	<b>\$ 13,636,718</b>	<b>\$ 3,485,853</b>	<b>\$ 1,693,491</b>

	Year ended December 31, 2012			
	Electric	Water	Gray's Crossing	Old Greenwood
<b>NET CASH PROVIDED BY (USED IN)</b>				
Operating activities	\$ 7,276,555	\$ 4,016,668	\$ -	\$ -
Noncapital financing activities	(3,986,219)	-	-	-
Capital and related financing activities	(2,297,957)	(4,335,479)	(243,426)	8,247
Investing activities	25,222	348,363	6,435	4,685
<b>Net increase (decrease) in cash and cash equivalents</b>	1,017,601	29,552	(236,991)	12,932
Cash and Cash Equivalents, Beginning	13,580,186	14,122,611	3,754,758	1,670,686
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<b>\$ 14,597,787</b>	<b>\$ 14,152,163</b>	<b>\$ 3,517,767</b>	<b>\$ 1,683,618</b>

# TRUCKEE DONNER PUBLIC UTILITY DISTRICT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

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### 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 that depend on the Martis Valley Basin for their water supply. 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 understandings 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 is expected to be completed by mid 2014. The total cost of the project is 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.

### NOTE 15 – RESTATEMENT OF PRIOR YEAR

With implementation of 65, the District restated the 2011 financial statements and reclassified certain 2012 and 2013 account balances to conform to the required presentation. The accounting policies of the District conform to generally accepted accounting principles applicable to governmental units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principals.



# TRUCKEE DONNER PUBLIC UTILITY DISTRICT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

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In accordance with GASB Statement No. 65, the District expensed debt issuance costs which previously were amortized. At the beginning of 2012, this restatement resulted in \$572,353 of bond issue outflows for the 2006 and 1996 Water bond issue, \$237,219 of the Old Greenwood bond issue outflows and \$578,295 of the Gray's Crossing bond issue outflows.

The total impact on the statement of net position at December 31, 2012 includes a decrease in Other Non-Current Assets of \$1,036,515 increase in Non-Current Liabilities of \$461,562 and an increase in net investment in capital assets of \$1,498,077. The total impact on the statement of revenues, expenses and changes in net position for the year ended December 31, 2012 includes an increase in the change in net position of \$120,320 due to the elimination of related amortization.

### NOTE 16 – SUBSEQUENT EVENT: OLD GREENWOOD REFUNDING

The District identified an opportunity to significantly reduce the debt obligation of Old Greenwood Community Facilities District (CFD; see notes 5 and 7) by issuing refunding bonds with a 4.2% interest rate to a private investment firm. The Board of Directors directed staff to pursue the refinancing of the bond. All of the savings, net of the issuance costs, will be passed through to the owners of the taxable land within the CFD according to the rate and method of apportionment (RMA).

On January 28, 2014 the refunding bonds were successfully sold to the private investment firm. The proceeds were used to call the 2003 bonds on March 1, 2014. The 2014 refunding bonds have the same RMA and conditions on the CFD properties as the original 2003 bonds.

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**SUPPLEMENTAL INFORMATION**

# TRUCKEE DONNER PUBLIC UTILITY DISTRICT

## SUPPLEMENTAL INFORMATION

December 31, 2013

### CONSOLIDATING STATEMENT OF NET POSITION

As of December 31, 2013

	Component Units					Eliminations	Totals
	Electric Operations	Water Operations	Gray's	Crossing	Old Greenwood		
<b>ASSETS</b>							
<b>CURRENT ASSETS</b>							
Funds							
Operating	\$ 5,823,907	\$ 2,263,593	\$ 129,269	\$ 421,573	\$ -	\$ -	\$ 8,638,342
Designated	5,695,159	6,800,251	-	-	-	-	12,495,410
Restricted	1,234,525	4,545,276	3,356,584	1,271,918	-	-	10,408,303
Total Funds	<u>12,753,591</u>	<u>13,609,120</u>	<u>3,485,853</u>	<u>1,693,491</u>	<u>-</u>	<u>-</u>	<u>31,542,055</u>
Accounts receivable, net	1,376,082	570,974	3,941,798	940,583	-	-	6,829,437
Unbilled revenues	1,813,940	597,088	-	-	-	-	2,411,028
Accrued interest receivable	8,223	78,187	10,352	3,856	-	-	100,618
Materials and supplies	420,648	132,367	-	-	-	-	553,015
Prepaid expenses	199,588	84,000	-	-	-	-	283,588
Other	33,288	32,360	-	-	-	-	65,648
Total Current Assets	<u>16,605,360</u>	<u>15,104,096</u>	<u>7,438,003</u>	<u>2,637,930</u>	<u>-</u>	<u>-</u>	<u>41,785,389</u>
<b>NON-CURRENT ASSETS</b>							
Other Non-Current Assets							
Restricted funds	-	1,890,358	-	-	-	-	1,890,358
Special assessments receivable	-	5,651,949	-	-	-	-	5,651,949
Amortized pension obligation	6,716,354	-	-	-	-	-	6,716,354
Other	622,318	-	-	-	-	-	622,318
Total Other Non-Current Assets	<u>7,338,672</u>	<u>7,542,307</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,880,979</u>
<b>CAPITAL ASSETS</b>							
Utility plant	58,029,859	105,449,523	-	-	-	-	163,479,382
Accumulated depreciation	(18,908,019)	(31,107,492)	-	-	-	-	(50,015,511)
Construction work in progress	3,413,928	3,035,760	-	-	-	-	6,449,688
Total Utility Plant	<u>42,535,768</u>	<u>77,377,791</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>119,913,559</u>
<b>TOTAL ASSETS</b>	<u>\$ 66,479,800</u>	<u>\$ 100,024,194</u>	<u>\$ 7,438,003</u>	<u>\$ 2,637,930</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 176,579,927</u>

# TRUCKEE DONNER PUBLIC UTILITY DISTRICT

## SUPPLEMENTAL INFORMATION

December 31, 2013

NET POSITION AND LIABILITIES			Component Units			Eliminations	Totals
			Electric Operations	Water Operations	Gray's		
<b>CURRENT LIABILITIES</b>							
Other liabilities							
Accounts payable	\$ 3,229,488	\$ 48,406	\$ -	\$ -	\$ -	\$ -	\$ 3,277,894
Customer deposits	280,309	65,225	-	-	-	-	345,534
Other	446,216	354,231	-	-	-	-	800,447
Total other liabilities	3,956,013	467,862	-	-	-	-	4,423,875
Current liabilities payable from restricted assets:							
Current portion of long-term debt	542,910	2,051,187	410,000	180,000	-	-	3,184,097
Accrued interest payable	1,843	246,574	598,718	229,848	-	-	1,076,983
Total Current Liabilities Payable from Restricted Assets	544,753	2,297,761	1,008,718	409,848	-	-	4,261,080
Total Current Liabilities	4,500,766	2,765,623	1,008,718	409,848	-	-	8,684,955
<b>NON-CURRENT LIABILITIES</b>							
Long-term debt, net of discounts and premiums	6,177,001	30,287,147	32,602,283	11,430,000	-	-	80,496,431
Installment loans	87,657	869,668	-	-	-	-	957,325
Unearned revenues	2,071,166	408,514	1,264,731	460,864	-	-	4,205,275
Total non-current liabilities	8,335,824	31,565,329	33,867,014	11,890,864	-	-	85,659,031
Total Liabilities	12,836,590	34,330,952	34,875,732	12,300,712	-	-	94,343,986
<b>NET POSITION</b>							
Invested in capital assets, net of related debt	42,526,857	45,039,457	(33,012,283)	(11,610,000)	-	-	42,944,031
Restricted for debt service	1,161,905	6,172,282	2,746,567	1,015,368	-	-	11,096,122
Unrestricted	9,954,448	14,481,503	2,827,987	931,850	-	-	28,195,788
Total Net Position	53,643,210	65,693,242	(27,437,729)	(9,662,782)	-	-	82,235,941
<b>TOTAL NET POSITION AND LIABILITIES</b>	<b>\$ 66,479,800</b>	<b>\$ 100,024,194</b>	<b>\$ 7,438,003</b>	<b>\$ 2,637,930</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 176,579,927</b>

# TRUCKEE DONNER PUBLIC UTILITY DISTRICT

## REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2013

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

For the Year Ended December 31, 2013

			Component Units		Eliminations	Totals
	Electric Operations	Water Operations	Gray's	Crossing		
<b>OPERATING REVENUES</b>						
Sales to customers	\$ 20,939,839	\$ 9,870,531	\$ -	\$ -	\$ -	\$ 30,810,370
Water meter surcharge	-	703,982	-	-	-	703,982
Interdepartmental sales	1,238,683	2,318	-	-	(1,241,001)	-
Standby fees	25,140	157,440	-	-	-	182,580
Cap and trade proceeds	620,403	-	-	-	-	620,403
Other	1,389,309	326,235	-	-	(370,068)	1,345,476
Total Operating Revenues	<u>24,213,374</u>	<u>11,060,506</u>	<u>-</u>	<u>-</u>	<u>(1,611,069)</u>	<u>33,662,811</u>
<b>OPERATING EXPENSES</b>						
Purchased power	12,306,311	-	-	-	-	12,306,311
Operations and maintenance	3,628,748	4,802,929	-	-	(1,241,001)	7,190,676
Consumer services	1,832,407	730,605	-	-	-	2,563,012
Administration and general	2,339,169	1,829,741	-	-	(370,068)	3,798,842
Depreciation	1,989,264	3,438,113	-	-	-	5,427,377
Total Operating Expenses	<u>22,095,899</u>	<u>10,801,388</u>	<u>-</u>	<u>-</u>	<u>(1,611,069)</u>	<u>31,286,218</u>
Operating Income	<u>2,117,475</u>	<u>259,118</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,376,593</u>
<b>NON-OPERATING REVENUE (EXPENSES)</b>						
Special tax revenue	-	-	2,501,467	906,339	-	3,407,806
Investment income	9,383	86,370	6,277	8,393	-	110,423
Interest expense	(5,590)	(1,327,704)	(1,806,538)	(694,500)	-	(3,834,332)
Amortization	-	32,713	(7,621)	-	-	25,092
Other non-operating revenues	-	-	55,362	2,701	-	58,063
Other non-operating expenses	-	-	(39,614)	(35,448)	-	(75,062)
Gain (loss) on disposition of assets	1,093	3,799	-	-	-	4,892
Total Non-Operating Expenses	<u>4,886</u>	<u>(1,204,822)</u>	<u>709,333</u>	<u>187,485</u>	<u>-</u>	<u>(303,118)</u>
Income Before Contributions	2,122,361	(945,704)	709,333	187,485	-	2,073,475
<b>CAPITAL CONTRIBUTIONS, net</b>	<u>269,548</u>	<u>555,166</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>824,714</u>
<b>CHANGE IN NET POSITION</b>	2,391,909	(390,538)	709,333	187,485	-	2,898,189
NET POSITION - Beginning of Year	<u>51,251,301</u>	<u>66,083,780</u>	<u>(28,147,062)</u>	<u>(9,850,267)</u>	<u>-</u>	<u>79,337,752</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 53,643,210</u>	<u>\$ 65,693,242</u>	<u>\$ (27,437,729)</u>	<u>\$ (9,662,782)</u>	<u>\$ -</u>	<u>\$ 82,235,941</u>

# TRUCKEE DONNER PUBLIC UTILITY DISTRICT

## REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2013

### CONSOLIDATING STATEMENT OF CASH

For the Year Ended December 31, 2013

	Electric Operations	Water Operations	Component Units			Eliminations	Total
			Gray's	Crossing	Old Greenwood		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Received from customers	\$ 24,318,057	\$ 11,137,708	\$ -	\$ -	\$ -	\$ (1,611,069)	\$ 33,844,696
Paid to suppliers for goods and services	(15,607,924)	(5,130,105)	-	-	-	1,611,069	(19,126,960)
Paid to employees for services	(3,612,412)	(2,084,118)	-	-	-	-	(5,696,530)
Net Cash Flows from Operating Activities	<u>5,097,721</u>	<u>3,923,485</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,021,206</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>							
Principal payments on long-term debt	(3,764,000)	-	-	-	-	-	(3,764,000)
Interest payments on long-term debt	(353,775)	-	-	-	-	-	(353,775)
Net Cash Flows from Noncapital Financing Activities	<u>(4,117,775)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,117,775)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>							
Capital expenditures for utility plant	(3,074,304)	(2,479,991)	-	-	-	-	(5,554,295)
Cost of disposal of property net of salvage	(218,156)	518	-	-	-	-	(217,638)
Capital contributions, connection and facility fees	258,544	413,020	-	-	-	-	671,564
Special assessments receipts	-	614,338	-	-	-	-	614,338
Special tax receipts	-	-	2,122,663	855,987	-	-	2,978,650
Principal payments on long-term debt	(58,602)	(1,976,188)	(350,000)	(155,000)	-	-	(2,539,790)
Interest payments on long-term debt	252,982	(1,343,179)	(1,811,730)	(696,979)	-	-	(3,598,906)
Cash Flows From Capital and Related Financing Activities	<u>(2,839,536)</u>	<u>(4,771,482)</u>	<u>(39,067)</u>	<u>4,008</u>	<u>-</u>	<u>-</u>	<u>(7,646,077)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Interest income received	42,853	332,552	7,153	5,865	-	-	388,423
Cash Flows from Investing Activities	<u>42,853</u>	<u>332,552</u>	<u>7,153</u>	<u>5,865</u>	<u>-</u>	<u>-</u>	<u>388,423</u>
<b>Net Change in Cash and Cash Equivalents</b>	<u>(1,816,737)</u>	<u>(515,445)</u>	<u>(31,914)</u>	<u>9,873</u>	<u>-</u>	<u>-</u>	<u>(2,354,223)</u>
CASH AND CASH EQUIVALENTS – Beginning of Year	<u>14,597,787</u>	<u>14,152,163</u>	<u>3,517,767</u>	<u>1,683,618</u>	<u>-</u>	<u>-</u>	<u>33,951,335</u>
<b>CASH AND CASH EQUIVALENTS – END OF YEAR</b>	<u>\$ 12,781,050</u>	<u>\$ 13,636,718</u>	<u>\$ 3,485,853</u>	<u>\$ 1,693,491.00</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,597,112</u>

### NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES

During 2013: \$2,502 and \$156,500 of capital assets were contributed to the electric and water utilities, respectively, by customers and developers.

\$355,502 and \$549,728 of prior period unearned revenues were recognized by the electric and water utilities, respectively.

\$1,236,737 and \$445,475 of prior period unearned revenues were recognized by the component units, Gray's Crossing and Old Greenwood, respectively.

# TRUCKEE DONNER PUBLIC UTILITY DISTRICT

## REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2013

	Electric	Water	Component Units		Eliminations	Total
			Gray's	Crossing		
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Operating income	\$ 2,117,475	\$ 259,118	\$ -	\$ -	\$ -	\$ 2,376,593
Noncash items included in operating income						
Depreciation and amortization	1,989,264	3,438,113	-	-	-	5,427,377
Depreciation charged to other accounts	205,089	140,407	-	-	-	345,496
Changes in assets and liabilities						
Accounts receivable and unbilled revenues	119,992	78,635	-	-	-	198,627
Materials and supplies	(9,886)	(11,713)	-	-	-	(21,599)
Prepaid expenses and other current assets	13,573	18,752	-	-	-	32,325
Accounts payable	127,027	(28)	-	-	-	126,999
Customer deposits	(15,308)	(1,434)	-	-	-	(16,742)
Other current liabilities	550,495	1,635	-	-	-	552,130
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>\$ 5,097,721</b>	<b>\$ 3,923,485</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 9,021,206</b>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE BALANCE SHEET</b>						
Operating	\$ 5,823,907	\$ 2,263,593	\$ 129,269	\$ 421,573	\$ -	\$ 8,638,342
Designated	5,695,159	6,800,251	-	-	-	12,495,410
Restricted bond funds - current	1,234,525	4,545,276	3,356,584	1,271,918	-	10,408,303
Restricted bond funds - non-current	-	1,890,358	-	-	-	1,890,358
Total Cash and Investments	12,753,591	15,499,478	3,485,853	1,693,491	-	33,432,413
Less: Long-term investments	-	(1,698,880)	-	-	-	(1,698,880)
Mark to market adjustment	27,459	(163,880)	-	-	-	(136,421)
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>\$ 12,781,050</b>	<b>\$ 13,636,718</b>	<b>\$ 3,485,853</b>	<b>\$ 1,693,491.00</b>	<b>\$ -</b>	<b>\$ 31,597,112</b>



# TRUCKEE DONNER PUBLIC UTILITY DISTRICT

## REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2013

### POSITION OF POST EMPLOYMENT BENEFIT PLANS

#### Schedule of Pension Plan Funding Progress - 2.7% @ 55 (Started Participation January 1, 2011)

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
06/30/2010	\$2,297,871,345	\$1,815,671,616	\$ 482,199,729	79.0%	\$ 434,023,381	111.1%
06/30/2011	\$2,486,708,579	\$1,981,073,089	\$ 505,635,490	79.7%	\$ 427,300,410	118.3%
06/30/2012	\$2,680,181,441	\$2,178,799,790	\$ 501,381,651	81.3%	\$ 417,600,034	120.1%

#### Schedule of Pension Plan Funding Progress - 2.0% @ 60 (Started Participation January 1, 2013)

This is a new CalPERS plan; no funding history is available.

#### Retiree Health Plan Funding History

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

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%

\*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.