

PRELIMINARY OFFICIAL STATEMENT DATED JULY 25, 2019

NEW ISSUE – BOOK-ENTRY ONLY

S&P: “AA+”
(See “RATING.”)

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2019 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Series 2019 Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series 2019 Bonds. See “TAX MATTERS.”

\$4,920,000*
TRUCKEE PUBLIC FINANCING AUTHORITY
LEASE REVENUE BONDS (CORPORATION YARD PROJECT),
SERIES 2019 (BANK QUALIFIED)

Dated: Date of Delivery

Due: May 1, as shown below

The Truckee Public Financing Authority Lease Revenue Bonds (Corporation Yard Project), Series 2019 (Bank Qualified) (the “Series 2019 Bonds”) are expected to be issued by the Truckee Public Financing Authority (the “Authority”) for the purpose of providing funds to: (i) finance the acquisition, improvement and renovation of a corporation yard and related facilities, (ii) fund a reserve fund with respect to the Series 2019 Bonds and (iii) pay costs of issuance incurred in connection with the issuance, sale and delivery of the Series 2019 Bonds. See “PLAN OF FINANCE AND THE LEASED PROPERTY.”

Interest on the Series 2019 Bonds will be payable semiannually on each May 1 and November 1, commencing November 1, 2019. The Series 2019 Bonds will be issued as fully-registered bonds without coupons and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the Series 2019 Bonds. Purchases of beneficial interests in the Series 2019 Bonds will be made in book-entry form through DTC participants and no physical delivery of the Series 2019 Bonds will be made to purchasers, except as otherwise described herein. Payment of principal, premium, if any, and interest will be made by Zions Bancorporation, National Association, as successor trustee (the “Trustee”), to DTC which is obligated to remit such payments to its participants for subsequent disbursement to the Beneficial Owners of the Series 2019 Bonds. See APPENDIX F – “BOOK-ENTRY ONLY SYSTEM.” The Series 2019 Bonds will be issuable in denominations of \$5,000 or any integral multiple thereof.

The Series 2019 Bonds are being issued pursuant to a Trust Agreement, dated as of September 1, 2009, as supplemented by the Supplemental Trust Agreement, dated as of September 1, 2017 and the Second Supplemental Trust Agreement, dated as of August 1, 2019 (as supplemented, the “Trust Agreement”), by and between the Authority and the Trustee. The Series 2019 Bonds are special obligations of the Authority, payable solely from and secured by a pledge of Revenues and certain other moneys pledged therefor in the Trust Agreement consisting primarily of Base Rental Payments (defined herein) to be received by the Authority from the Town pursuant to a Second Amended and Restated Facility Lease, dated as of August 1, 2019, by and between the Authority, as lessor, and the Town, as lessee. Such Base Rental Payments are calculated to be sufficient to pay the principal of and interest on the Series 2019 Bonds when due. The obligation of the Town to make Base Rental Payments is a general fund obligation of the Town. The Series 2019 Bonds are secured by Revenues (including Base Rental Payments) on a parity with the Series 2009 Bonds (defined herein) and the Series 2017 Bonds (defined herein).

The Series 2019 Bonds are subject to redemption prior to maturity, as more fully described herein.*

The Series 2019 Bonds were sold by competitive sale pursuant to the terms of an Official Notice of Sale, dated July 25, 2019, and awarded to _____ on _____, 2019. See “SALE OF THE SERIES 2019 BONDS.”

The Series 2019 Bonds are limited obligations of the Authority and are not secured by a legal or equitable pledge of, or charge or lien upon, any property of the Authority or any of its income or receipts, except the Revenues (as described herein). Neither the full faith and credit of the Authority, the Town or any member of the Authority is pledged for the payment of the principal of or interest on the Series 2019 Bonds nor for the payment of Base Rental Payments. Neither the payment of the principal of or interest on the Series 2019 Bonds nor the obligation to make Base Rental Payments constitutes a debt, liability or obligation of the Authority, the Town or any member of the Authority for which any such entity is obligated to levy or pledge any form of taxation or for which any such entity has levied or pledged any form of taxation. The Authority has no taxing power.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision on the Series 2019 Bonds.

The Series 2019 Bonds are offered when, as and if issued, subject to the approval of validity by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, and subject to certain other conditions. Certain legal matters will be passed upon for the Authority and for the Town by the Town Attorney. It is expected that the Series 2019 Bonds will be available for delivery through the DTC book-entry system in New York, New York on or about _____, 2019.

Dated: _____, 2019.

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion and amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities, in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to the registration or qualification under the securities laws of such jurisdiction.

MATURITY SCHEDULE

TRUCKEE PUBLIC FINANCING AUTHORITY LEASE REVENUE BONDS (CORPORATION YARD PROJECT), SERIES 2019 (BANK QUALIFIED)

Maturity Date (May 1)	Principal Amount	Interest Rate	Yield [†]	CUSIP No. [‡] (987799)
	\$	%	%	

\$ _____ . ____% Term Bonds due May 1, 20__ – Yield[†] ____% – CUSIP No.[‡] Number 987799 ____

[†] Reoffering prices/yields furnished by the Underwriter. The Town takes no responsibility for the accuracy thereof.

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No dealer, broker, salesperson or other person has been authorized by the Authority, the Town or the Underwriter to give any information or to make any representations with respect to the Series 2019 Bonds other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the Authority, the Town or the Underwriter. The information set forth herein has been obtained from sources which are believed to be current and reliable. This information and the expression of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Town since the date hereof. Estimates and opinions are included and should not be interpreted as statements of facts. Summaries of documents do not purport to be complete statements of their provisions and such summaries are qualified by references to the entire contents of the summarized documents. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Series 2019 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2019 BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2019 BONDS AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

This Official Statement is not to be construed as a contract with the purchasers of any of the Series 2019 Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of facts. Reference is hereby made to such documents on file with the Town for further information in connection therewith.

NONE OF THE SERIES 2019 BONDS HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. NONE OF THE SERIES 2019 BONDS HAVE BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

This Official Statement is submitted in connection with the sale of the Series 2019 Bonds referred to herein and may not reproduced or used, in whole or in part, for any other purpose.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements.” Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “budget” or other similar words. Forward-looking statements in this Official Statement are subject to risks and uncertainties.

The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The Town does not plan to issue any updates or revisions to those forward-looking statements if or when expectations or events, conditions or circumstances on which such statements are based occur.

TRUCKEE PUBLIC FINANCING AUTHORITY

Governing Board

David Tirman, Chair of the Authority
Morgan Goodwin, Board member
Jessica Abrams, Board member
Anna Klovstad, Board member
David Polivy, Board member

TOWN OF TRUCKEE

Town Council

David Tirman, Mayor
Morgan Goodwin, Vice Mayor
Jessica Abrams, Council Member
Anna Klovstad, Council Member
David Polivy, Council Member

Town Officials

Jeff Loux, Town Manager
Kim Szczurek, Administrative Services Director
Andrew Morris, Town Attorney
Judy Price, Town Clerk

Bond Counsel

Orrick, Herrington & Sutcliffe LLP
San Francisco, California

Municipal Advisor

JNA Consulting Group, LLC
Boulder City, Nevada

Trustee

Zions Bancorporation, National Association
Los Angeles, California

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
ESTIMATED SOURCES AND USES OF PROCEEDS	3
THE SERIES 2019 BONDS	3
Transfer and Exchange of Series 2019 Bonds	4
Redemption	4
Notice of Redemption	5
Effect of Redemption	6
SECURITY FOR THE SERIES 2019 BONDS	6
General	6
Base Rental Payments	7
Insurance and Condemnation Awards	8
Reserve Fund	8
Abatement	10
Eminent Domain	10
Remedies Upon Default	11
Rental Interruption Insurance	11
Additional Bonds	11
Substitution of Leased Property	13
DEBT SERVICE SCHEDULE	14
PLAN OF FINANCE AND THE LEASED PROPERTY	14
General	14
The Leased Property	14
TOWN FINANCIAL INFORMATION	15
Organization	15
Members and Officers	15
Assessed Valuation and Property Taxes	16
General Long-Term Debt	17
Statement of Direct and Overlapping Debt	18
Budgetary Controls	20
Financial Statements	22
Revenue and Expenditure Analysis for Fiscal Year 2017-18	23
Preliminary Revenue and Expenditure Analysis for Fiscal Year 2018-19	24
Source of Lease Payments	24
State Budget	25
State Budget Process	25
The 2019-20 State Budget	25
Future State Budgets	26
CalPERS Pension Plan	26
Other Post-Employment Benefits	32
Deferred Compensation	32
Labor Relations	32
Litigation	33
Investments and Investment Policy	33
CONSTITUTIONAL AND STATUTORY LIMITS ON TAXES AND APPROPRIATIONS	34
Article XIII A of the State Constitution	34
Article XIII B of the State Constitution	35

TABLE OF CONTENTS
(continued)

	<u>Page</u>
Right to Vote on Taxes Initiative – Proposition 218	36
Proposition 1A	37
Proposition 22	38
Proposition 26	38
Proposition 62	39
Future Initiatives	39
RISK FACTORS	39
Base Rental Payments Not a Debt of the Town.....	39
Abatement	40
Rental Interruption Insurance	40
Limited Recourse on Default	41
No Acceleration Upon Default	41
No Liability of Authority to the Owners.....	41
No Tax Pledge	41
No Limit on Additional General Fund Obligations	42
Limitation on Enforcement of Remedies	42
Bankruptcy.....	42
Changes in Law	42
Earthquakes and Natural Disasters	42
Risks Involving State Budget and Legislation.....	43
Hazardous Substances.....	43
Investment of Funds.....	43
MUNICIPAL ADVISOR	44
CONTINUING DISCLOSURE	44
SALE OF THE SERIES 2019 BONDS	44
RATING	44
TAX MATTERS	45
LEGAL MATTERS	47
INDEPENDENT ACCOUNTANTS	47
MISCELLANEOUS	48
APPENDIX A TRUCKEE AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2018	A-1
APPENDIX B GENERAL INFORMATION ON THE TOWN OF TRUCKEE AND VICINITY	B-1
APPENDIX C SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS	C-1
APPENDIX D PROPOSED FORM OF OPINION OF BOND COUNSEL	D-1
APPENDIX E FORM OF CONTINUING DISCLOSURE AGREEMENT	E-1
APPENDIX F BOOK-ENTRY ONLY SYSTEM	F-1

OFFICIAL STATEMENT

\$4,920,000*

**TRUCKEE PUBLIC FINANCING AUTHORITY
LEASE REVENUE BONDS (CORPORATION YARD PROJECT),
SERIES 2019 (BANK QUALIFIED)**

INTRODUCTION

The purpose of this Official Statement, including the appendices hereto, is to furnish information concerning the issuance and sale by the Truckee Public Financing Authority (the “Authority”) of its Lease Revenue Bonds (Corporation Yard Project), Series 2019 (Bank Qualified) (the “Series 2019 Bonds”) in the aggregate principal amount of \$4,920,000*. The Series 2019 Bonds are being issued for the purpose of providing funds to (i) finance the acquisition, improvement and renovation of a corporation yard and related facilities, (ii) fund a reserve fund with respect to the Series 2019 Bonds and (iii) pay costs of issuance incurred in connection with the issuance, sale and delivery of the Series 2019 Bonds. See “PLAN OF FINANCE AND THE LEASED PROPERTY.”

The Series 2019 Bonds are being issued pursuant to the provisions of Resolution No. 2019-01 of the Authority adopted on June 25, 2019 and a Trust Agreement, dated as of September 1, 2009, as supplemented by a Supplemental Trust Agreement, dated as of September 1, 2017 and a Second Supplemental Trust Agreement, dated as of August 1, 2019 (as supplemented, the “Trust Agreement”), by and between the Authority and Zions Bancorporation, National Association, Los Angeles, California, as successor trustee thereunder (the “Trustee”).

Pursuant to a Second Amended and Restated Site Lease, dated as of August 1, 2019 (the “Site Lease”), by and between the Town of Truckee (the “Town”), as lessor, and the Authority, as lessee, the Town will lease to the Authority certain property of the Town, including the site on which the Town’s Public Service Center is located and the facilities thereon (collectively, the “Leased Property”). See “PLAN OF FINANCE AND THE LEASED PROPERTY – The Leased Property.” Concurrently, the Authority will lease the Leased Property to the Town pursuant to a Second Amended and Restated Facility Lease (the “Lease”), dated as of August 1, 2019, by and between the Authority, as lessor, and the Town, as lessee. The Lease amends and restates the Amended and Restated Facility Lease, dated as of September 1, 2017 (the “2017 Lease”), which amended and restated the Facility Lease, dated as of September 1, 2009, each by and between the Authority and the Town (the “Series 2009 Lease”) and the Site Lease amends and restates the Amended and Restated Site Lease, dated as of September 1, 2017 (the “2017 Site Lease”), which amended and restated the Site Lease, dated as of September 1, 2009 (the “Series 2009 Site Lease”), each by and between the Town and the Authority. The 2009 Lease, 2017 Lease and the Lease are collectively referred to herein as the “Lease” and the 2009 Site Lease, 2017 Site Lease and the Site Lease are collectively referred to herein as the “Site Lease.”

In addition, the Town and the Authority may substitute real property comprised of all or a portion of the Public Service Facility as part of or in substitution of the Leased Property for purposes of the Site Lease and Lease. See “SECURITY FOR THE SERIES 2019 BONDS – Substitution of Leased Property.”

The Series 2019 Bonds are limited obligations of the Authority, payable solely from and secured solely by the Revenues (as hereinafter defined) and certain other amounts pledged therefor in the

* Preliminary, subject to change.

Trust Agreement, consisting primarily of the Base Rental Payments (the “Base Rental Payments”) payable by the Town pursuant to the Lease for the use and possession of the Leased Property. Under the Trust Agreement, the Authority will assign to the Trustee all of the Revenues and all of the rights of the Authority in the Lease (except for the right to receive any Additional Payments to the extent payable to the Authority and certain rights to indemnification set forth therein). The Series 2019 Bonds are issued on a parity with the Truckee Public Financing Authority Lease Revenue Bonds (Public Service Facility Project), Series 2009A (Tax-Exempt) (Bank Qualified) (the “Series 2009A Bonds”), the Truckee Public Financing Authority Lease Revenue Bonds (Public Service Facility Project), Series 2009B (Taxable) (the “Series 2009B Bonds” and, together with the Series 2009A Bonds, the “Series 2009 Bonds”) and the Truckee Public Financing Authority Lease Revenue Refunding Bonds, Series 2017 (Bank Qualified) (the “Series 2017 Bonds”). The Series 2009A Bonds were issued in the principal amount of \$1,645,000, \$120,000 of which is outstanding. The Series 2009B Bonds were issued in the principal amount of \$3,355,000, all of which is outstanding and will remain outstanding until the redemption of the Series 2009B Bonds on December 1, 2019. The Series 2017 Bonds were issued in the principal amount of \$4,265,000, \$4,200,000 of which is outstanding. The Series 2019 Bonds, the Series 2017 Bonds, and the Series 2009 Bonds, together with any future series of parity Bonds, are hereinafter collectively referred to as the “Bonds.”

The Town is required under the Lease to make Base Rental Payments from any source of legally available funds in each year the Town has use and possession of the Leased Property. The Base Rental Payments are designed to be sufficient in both time and amount to pay, when due, the principal of and interest on the Series 2019 Bonds, as well as the Series 2017 Bonds, the unrefunded portion of the Series 2009A Bonds and the Series 2009B Bonds prior to the redemption thereof. The Town has covenanted in the Lease to take such action as may be necessary to include the Base Rental Payments in its annual budget and has further covenanted to make the necessary annual appropriations for all such Base Rental Payments. The amount of Base Rental Payments which the Town is obligated to pay under the Lease will be adjusted or abated during any period in which, by reason of damage, destruction or condemnation there is substantial interference with the Town’s use and possession of the Leased Property. Such adjustment or abatement will end with the substantial replacement or reconstruction of the Leased Property. See “SECURITY FOR THE SERIES 2019 BONDS – Abatement.” The obligation of the Town to pay the Base Rental Payments does not constitute an obligation for which the Town is obligated to pledge any form of taxation or for which the Town has pledged any form of taxation. The obligation of the Town to pay the Base Rental Payments does not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.

The Town has assumed responsibility under the Lease for the operation, maintenance and repair of the Leased Property, and is required to maintain or cause to be maintained insurance on the Leased Property, including fire and extended coverage, comprehensive public liability and property damage insurance, and rental income interruption insurance with respect to property damage risks in an amount sufficient to pay the maximum annual Base Rental Payments for any two year period. See “SECURITY FOR THE SERIES 2019 BONDS – Rental Interruption Insurance.”

For certain information concerning the Town, including the Town’s current financial situation, see “TOWN FINANCIAL INFORMATION” and APPENDIX A – “TRUCKEE AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2018.” For a discussion of certain amendments to the Constitution of the State of California (the “State”) and their impact on the Town, see “CONSTITUTIONAL AND STATUTORY LIMITS ON TAXES AND APPROPRIATIONS.”

Brief descriptions of the Series 2019 Bonds, the Authority, the Town and the Leased Property are included in this Official Statement, together with summaries of the Trust Agreement and the Lease.

Such descriptions do not purport to be comprehensive or definitive. All references herein to the Series 2019 Bonds, the Trust Agreement, the Lease and the Site Lease are qualified in their entirety by reference to the actual documents or with respect to the Series 2019 Bonds, the form of which is included in the Trust Agreement. Copies of all such documents are available for inspection at the corporate trust office of the Trustee in Los Angeles, California.

The Town has covenanted for the benefit of owners of the Series 2019 Bonds to provide certain financial information and operating data and to provide notices of the occurrence of certain enumerated events in order to assist the Underwriter in complying with Securities Exchange Commission Rule 15c2-12(b)(5). See “CONTINUING DISCLOSURE.”

Definitions of certain capitalized terms used in this Official Statement and not otherwise defined herein or in APPENDIX C hereto shall have the meanings set forth in the Trust Agreement and the Lease. The summaries of and references contained herein to the Trust Agreement, the Series 2019 Bonds, the Lease, the Site Lease, statutes and other documents do not purport to be comprehensive or definitive and are qualified by reference to each such document, instrument or statute.

ESTIMATED SOURCES AND USES OF PROCEEDS

The proceeds of the sale of the Series 2019 Bonds are estimated to be applied as shown below:

Sources of Funds:

Principal Amount of Series 2019 Bonds	
[Net] Original Issue [Premium/Discount]	
Total Sources	_____

Uses of Funds:

Deposit into the Acquisition and Construction Fund	
Deposit into Reserve Fund	
Costs of Issuance ⁽¹⁾	
Total Uses	_____

⁽¹⁾ Costs of Issuance include Underwriter’s discount, legal fees, trustee fees, printing costs and other miscellaneous expenses.

THE SERIES 2019 BONDS

The Series 2019 Bonds will be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof, so long as no Series 2019 Bond shall have more than one maturity date. The Series 2019 Bonds will be dated as of their date of initial delivery and will mature on May 1 in each of the years and in the amounts, and will bear interest (calculated on the basis of a 360-day year of twelve 30-day months) at the rates, set forth on the inside cover page hereof.

The Series 2019 Bonds will be delivered in fully registered form only and, when executed and delivered, will be authenticated and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), which has been appointed as securities depository for the Series 2019 Bonds, and registered ownership may not be transferred thereafter except as provided in the Trust Agreement. DTC will act as Securities Depository of the Series 2019 Bonds. Ownership interests in the Series 2019 Bonds may be purchased in book-entry form only, in the denominations of \$5,000 principal amount or any integral multiple thereof. Purchasers will not receive certificates representing their interests in the Series 2019 Bonds. Principal of and interest on the Series 2019 Bonds

will be paid by the Trustee to DTC, which in turn is obligated to remit such principal and interest to its Participants for subsequent disbursement to beneficial owners of the Series 2019 Bonds as described herein. See APPENDIX F – “BOOK-ENTRY ONLY SYSTEM.”

Interest on the Series 2019 Bonds will be payable semiannually on each May 1 and November 1, commencing November 1, 2019 (each, an “Interest Payment Date”). The Series 2019 Bonds shall bear interest from the Interest Payment Date next preceding the date of registration thereof, unless such date of registration is an Interest Payment Date or during the period from the fifteenth day of the month preceding an Interest Payment Date to such Interest Payment Date, in which event they shall bear interest from such Interest Payment Date, or unless such date of registration is prior to October 15, 2019, (the “Record Date”), in which event they shall bear interest from the original issue date.

Payment of interest on the Series 2019 Bonds due on or before the maturity or prior redemption thereof shall be made on the Interest Payment Date to the person whose name appears in the Series 2019 Bonds registration books kept by the Trustee as the registered owner thereof as of the close of business on the Record Date for an Interest Payment Date, whether or not such day is a Business Day, such interest to be paid by check mailed by first-class mail to such registered owner at the address as it appears in such books; provided that upon the written request of a Holder of \$1,000,000 or more in aggregate principal amount of Series 2019 Bonds received by the Trustee prior to the applicable Record Date, interest shall be paid by wire transfer in immediately available funds. So long as the Series 2019 Bonds are registered in the name of Cede & Co., as nominee of DTC, references herein to the owners of the Series 2019 Bonds shall mean Cede & Co., and shall not mean the ultimate purchasers of the Series 2019 Bonds and so long as DTC or Cede & Co., as nominee of DTC, is the registered owner of the Series 2019 Bonds, disbursement of payments of principal of and interest on the Series 2019 Bonds to DTC’s participants is the responsibility of DTC, and disbursements of such payments to the beneficial owners is the responsibility of DTC’s participants and indirect participants, as more fully described herein. See APPENDIX F – “BOOK-ENTRY ONLY SYSTEM.”

Transfer and Exchange of Series 2019 Bonds

So long as the Series 2019 Bonds are registered in the name of Cede & Co., as nominee of DTC, transfers of interests in the Series 2019 Bonds must be made under the DTC system by or through Direct Participants, as described in APPENDIX F – “BOOK-ENTRY ONLY SYSTEM.”

Redemption*

Extraordinary Redemption

The Series 2019 Bonds are subject to extraordinary optional redemption by the Authority on any date prior to their respective stated maturities, upon notice as hereinafter provided, as a whole, or in part by lot within each stated maturity in integral multiples of five thousand dollars (\$5,000) principal amount from prepayments made by the Town from insurance and eminent domain proceeds and proceeds of title insurance pursuant to the Lease, at a prepayment price equal to the sum of the principal amount thereof, without premium, plus accrued interest thereon to the redemption date. Whenever less than all of the outstanding Series 2019 Bonds are to be redeemed on any one date, the Trustee shall select the Series 2019 Bonds to be redeemed in part from the outstanding Series 2019 Bonds so that the aggregate annual debt service on Series 2019 Bonds which shall be payable after such redemption date shall be as nearly proportional as practicable to the aggregate annual debt service on Series 2019 Bonds outstanding prior to such redemption date.

* Preliminary, subject to change.

Optional Redemption

The Series 2019 Bonds maturing on and after May 1, 2030 are also subject to redemption prior to their respective stated maturities at the written direction of the Authority, from moneys deposited by the Authority or the Town from prepayments made by the Town pursuant to the Lease, as a whole or in part on any date (in such maturities as are designated in writing by the Authority to the Trustee) on or after May 1, 2029, at a redemption price of one hundred percent of the principal amount of Series 2019 Bonds, together with accrued interest to the date fixed for redemption.

If less than all Outstanding Series 2019 Bonds maturing by their terms on any one date are to be redeemed at any one time, the Trustee shall select the Series 2019 Bonds of such maturity date to be redeemed in any manner that it deems appropriate and fair and shall promptly notify the Authority in writing of the numbers of the Series 2019 Bonds so selected for redemption. For purposes of such selection, Series 2019 Bonds shall be deemed to be composed of \$5,000 multiples of principal, and any such multiple may be separately redeemed.

Mandatory Sinking Fund Redemption

The \$_____ Term Series 2019 Bond maturing on May 1, 20___, is also subject to mandatory sinking fund redemption on each Mandatory Sinking Fund Redemption Date and in the respective principal amounts as set forth in the following schedule, at a redemption price equal to 100% of the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption:

Mandatory Sinking Fund Redemption Date (May 1)	Principal Amount To be Redeemed
†	\$

† Maturity.

The principal amount to be redeemed in each year shown in the table above will be reduced proportionately, in integral multiples of \$5,000, by the amount of such Term Series 2019 Bond optionally redeemed prior to the mandatory sinking fund redemption date.

Notice of Redemption

Notice of redemption shall be mailed by first-class mail by the Trustee, not less than 30 nor more than 60 days prior to the redemption date to (i) the respective Holders of the Series 2019 Bonds designated for redemption at their addresses appearing on the registration books of the Trustee, (ii) the Municipal Securities Rulemaking Board, (iii) the Securities Depositories and (iv) one or more Information Services. Notice of redemption to the Securities Depositories and the Information Services shall be given by registered mail, electronic mail or overnight delivery or facsimile transmission. Each notice of redemption shall state the date of such notice, the redemption price, if any, (including the name and appropriate address of the Trustee), the CUSIP number (if any) of the maturity or maturities, and, if less than all of any such maturity is to be redeemed, the distinctive certificate numbers of the Series 2019 Bonds of such maturity, to be redeemed and, in the case of Series 2019 Bonds to be redeemed in part

only, the respective portions of the principal amount to be redeemed. Each such notice shall also state that on said date there will become due and payable on each of said Series 2019 Bonds the redemption price, if any, thereof and in the case of a Series 2019 Bond to be redeemed in part only, the specified portion of the principal amount to be redeemed, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Series 2019 Bonds be then surrendered at the address of the Trustee specified in the redemption notice. Failure to receive such notice shall not invalidate any of the proceedings taken in connection with such redemption.

In the event of redemption of Series 2019 Bonds, the Trustee shall mail a notice of redemption upon receipt of a Written Request of the Authority, received by the Trustee 60 days prior to the redemption date but only after the Authority shall file a Certificate of the Authority with the Trustee stating that on or before the date set for redemption, the Authority shall have deposited with or otherwise made available to the Trustee for deposit in the Principal Account the money required for payment of the redemption price, including accrued interest, of all Series 2019 Bonds then to be called for redemption, together with the estimated expense of giving such notice.

With respect to any notice of optional redemption of Series 2019 Bonds, such notice may state that such redemption shall be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of moneys sufficient to pay the principal of, premium, if any, and interest on such Series 2019 Bonds to be redeemed and that, if such moneys shall not have been so received, said notice shall be of no force and effect and the Trustee shall not be required to redeem such Series 2019 Bonds. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption shall not be made, and the Trustee shall within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

Effect of Redemption

If notice of redemption has been duly given as aforesaid and money for the payment of the redemption price of the Series 2019 Bonds called for redemption is held by the Trustee, then on the redemption date designated in such notice Series 2019 Bonds so called for redemption shall become due and payable, and from and after the date so designated interest on such Series 2019 Bonds shall cease to accrue, and the Holders of such Series 2019 Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof.

All Series 2019 Bonds redeemed pursuant to the provisions of this Section shall be cancelled by the Trustee and shall be destroyed with a certificate of destruction furnished to the Authority upon its request and shall not be reissued.

SECURITY FOR THE SERIES 2019 BONDS

General

The Series 2019 Bonds are limited obligations of the Authority payable solely from and secured solely by the Revenues pledged therefor in the Trust Agreement, together with amounts on deposit from time to time in the funds and accounts held by the Trustee, including proceeds of the sale of the Series 2019 Bonds. "Revenues" means (i) all Base Rental Payments and other payments paid by the Town and received by the Authority pursuant to the Lease (but not Additional Payments), and (ii) all interest or other income from any investment of any money in any fund or account established pursuant to the Trust Agreement or the Lease (other than the Rebate Fund).

Under the Trust Agreement, the Authority irrevocably pledges to the Trustee for payment of the interest and premium, if any, on and principal of the Series 2019 Bonds and other Bonds (a) all Revenues and any other amounts (including proceeds of the sale of the Series 2019 Bonds) held by the Trustee in any fund or account established under the Trust Agreement (other than amounts on deposit in the Rebate Fund), and the Revenues shall not be used for any other purpose while any of the Series 2019 Bonds or other Bonds remain Outstanding; provided, however, that out of the Revenues and other moneys there may be applied such sums for such purposes as are permitted under the Trust Agreement. This pledge constitutes a pledge of and charge and lien upon the Revenues and all other moneys on deposit in the funds and accounts established under the Trust Agreement (excluding other amounts on deposit in the Rebate Fund) for the payment of the interest on and principal of the Series 2019 Bonds and other Bonds in accordance with the terms under the Trust Agreement. The Authority also assigns to the Trustee all of the Authority's rights and remedies under the Lease.

THE SERIES 2019 BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM AND SECURED SOLELY BY THE REVENUES AND OTHER MONEYS PLEDGED THERETO IN THE TRUST AGREEMENT. THE SERIES 2019 BONDS ARE NOT A DEBT OF THE AUTHORITY, THE TOWN, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS AND NEITHER THE AUTHORITY, THE TOWN, THE STATE NOR ANY OF ITS POLITICAL SUBDIVISIONS, EXCEPT THE AUTHORITY TO THE EXTENT DESCRIBED HEREIN, IS LIABLE THEREON. IN NO EVENT SHALL THE SERIES 2019 BONDS OR ANY INTEREST OR REDEMPTION PREMIUM THEREON BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THOSE OF THE AUTHORITY AS SET FORTH IN THE TRUST AGREEMENT. THE SERIES 2019 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. NEITHER THE MEMBERS OF THE AUTHORITY NOR ANY PERSONS EXECUTING THE SERIES 2019 BONDS ARE LIABLE PERSONALLY ON THE SERIES 2019 BONDS BY REASON OF THEIR ISSUANCE.

Base Rental Payments

The Lease requires the Town to deposit with the Trustee, as assignee of the Authority, 15 days prior to each May 1 and November 1 (the "Base Rental Payment Dates") an amount equal to the aggregate Base Rental Payment coming due and payable on each such Base Rental Payment Date. The Base Rental Payments payable in any Base Rental Payment Period constitute payment for the use and possession of the Leased Property during such Base Rental Payment Period. The Town will receive a credit towards payment of Base Rental Payments for amounts on deposit in the Interest Account and the Principal Account of the Revenue Fund on each Base Rental Payment Date.

The obligation of the Town to make Base Rental Payments is payable from annual appropriations of the Town from funds lawfully available therefor. The obligation of the Town to make Base Rental Payments under the Lease does not constitute an obligation of the Town for which the Town is obligated to levy or pledge any form of taxation or for which the Town has levied or pledged any form of taxation. Neither the full faith and credit nor the taxing power of the Town, the State or any of its political subdivisions is pledged to make Base Rental Payments under the Lease. The Base Rental Payments are calculated to be sufficient to pay, when due, the principal of and interest on the Bonds.

Pursuant to the Lease, the Town covenants to take such action as may be necessary to include all Base Rental Payments due thereunder in its annual budgets and to make annual appropriations therefor. As provided in the Lease, the covenants of the Town thereunder shall be deemed by the Town to be and shall be duties imposed by law, and it shall be the duty of each and every public official of the Town to take such action and to do such things as are required by law in the performance of the official

duty of such officials to enable the Town to carry out and perform the covenants and agreements in the Lease agreed to be carried out and performed by the Town.

California law requires, and the Lease provides, that Base Rental Payments shall be abated in whole or in part during any period in which there is substantial interference with the possession or use of the Leased Property by the Town due to damage, destruction or taking in eminent domain proceedings. Under these circumstances, failure to make any Base Rental Payment will not be an event of default under the Lease. See “– Abatement” below.

Base Rental Payments made by the Town to the Authority are payable from any revenues lawfully available to the Town for the purpose of payment of Base Rental Payments. The Lease and the Trust Agreement require that Base Rental Payments be deposited in the Revenue Fund maintained by the Trustee, which fund is held for the benefit of the owners of the Bonds.

Insurance and Condemnation Awards

In the event that the Leased Property or portion thereof is damaged or taken in eminent domain proceedings such that the Town does not have the full beneficial use and possession of the Leased Property or portion thereof, the debt service on the Series 2019 Bonds and other Bonds will be payable from the proceeds of the insurance and condemnation fund established under the Trust Agreement (in the case of damage resulting from an insured hazard) and from amounts on deposit from the Revenue Fund and Reserve Fund, until such time as the Leased Property or portion thereof is repaired or replaced. If the Leased Property or portion thereof cannot be repaired or replaced during the period of time during which rental interruption insurance is available and Reserve Fund and/or Revenue Fund moneys are insufficient, the Base Rental Payments with respect to the Leased Property or portion thereof will be abated and the Town will have no legal obligation to pay the abated amount. See “– Abatement” below.

No assurance can be given that the Net Proceeds of any insurance or condemnation award will be sufficient under all circumstances to repair or replace any damaged or taken portion of the Leased Property as a whole or to prepay all Base Rental Payments with respect to the Leased Property. Also, the Town makes no representation as to the sufficiency of any insurance awards or the adequacy of any self-insurance to pay, when and as due, amounts payable under the Lease or the Series 2019 Bonds.

Reserve Fund

A Reserve Fund is established within the Revenue Fund under the Trust Agreement in an amount equal to the Reserve Fund Requirement, which is an amount equal to the least of (i) ten percent (10%) of the initial offering price of the Bonds to the public, (ii) one hundred twenty-five percent (125%) of the average annual debt service on all Outstanding Bonds, or (iii) maximum annual debt service on all Outstanding Bonds; provided, however, that with respect to Bonds that are issued as “Build America Bonds,” the interest component of annual debt service shall be calculated at 65% of the actual interest due with respect to such Bonds. All money in the Reserve Fund shall be used and withdrawn by the Trustee solely for the purpose of replenishing the Interest Account or the Principal Account, in that order, in the event of any deficiency at any time in either of such accounts, except that so long as the Authority is not in default under the Trust Agreement, any cash amounts in the Reserve Fund in excess of the Reserve Fund Requirement shall be withdrawn from the Reserve Fund and deposited in Acquisition and Construction Fund prior to the delivery of a Certificate of the Town certifying that the Project has been completed, and thereafter in the Revenue Fund on or before each Interest Payment Date. For accounting purposes only, the Trustee shall maintain a separate subaccount in the Reserve Fund for each Series of Bonds.

The Authority may satisfy the Reserve Fund Requirement at any time by the deposit with the Trustee for the credit of the Reserve Fund of a surety bond, an insurance policy or letter of credit as described below, or any combination thereof. A surety bond or insurance policy issued to the Trustee, on behalf of the Owners, by a company licensed to issue an insurance policy guaranteeing the timely payment of principal of and interest on the Bonds (a “municipal bond insurer”) may be deposited in the Reserve Fund to meet the Reserve Fund Requirement if the claims paying ability of such municipal bond insurer shall be rated “Aaa” by Moody’s Investors Service (“Moody’s”) and “AAA” by S&P (defined herein) at the time of deposit thereof. If the claims paying ability of a municipal bond insurer falls below an “Aaa” rating by Moody’s or an “AAA” rating by S&P, the Authority will use its best efforts to procure a replacement surety bond or insurance policy within 30 days from the date of the decline in such claims paying ability, meeting the requirements set forth above to the extent that, in the judgment of the Authority, such a substitute or replacement surety bond or insurance policy is available upon reasonable terms and at a reasonable cost, or will use its best efforts to deposit into the Reserve Fund a letter of credit meeting the requirements of the Trust Agreement in order to provide that there will be on deposit in the Reserve Fund an amount equal to the Reserve Fund Requirement.

A letter of credit may be deposited in the Reserve Fund to meet the Reserve Fund Requirement, provided that any such letter of credit must be issued or confirmed by a state or national bank or a foreign bank with an agency or branch located in the continental United States which has outstanding an issue of unsecured long term debt securities rated at least equal to the second highest rating category (disregarding rating subcategories) by Moody’s and S&P at the time of deposit thereof, but in no event less than the rating on the Bonds given by any rating agency which has a then currently effective rating on the Bonds. In the event that unsecured long-term debt securities of the state, national or foreign bank which has issued or confirmed any letter of credit are downgraded by Moody’s or S&P to a rate below the requirements set forth above, the Authority will use its best efforts to obtain a substitute or replacement letter of credit within 30 days from the date of such downgrading from a state, national or foreign bank meeting the requirements set forth above, to the extent that, in the judgment of the Authority, such a substitute or replacement letter of credit is available upon reasonable terms and at a reasonable cost, or will use its best efforts to deposit into the Reserve Fund a replacement surety bond or insurance policy meeting the requirements of the Trust Agreement in order to provide that there will be on deposit in the Reserve Fund an amount equal to the Reserve Fund Requirement.

If the Authority replaces a cash-funded Reserve Fund, in whole or in part, with a surety bond, insurance policy or letter of credit meeting the either of the requirements above, amounts on deposit in the Reserve Fund shall, upon written request of the Authority to the Trustee, be transferred, subject to the receipt by the Authority and Trustee of an Opinion of Counsel that such transfer will not cause the interest on the Series 2009A Bonds, Series 2017 Bonds or Series 2019 Bonds to be included in gross income for purposes of federal income taxation, to the Authority and applied to the acquisition, construction, installation or equipping of public capital improvements or (2) the refinancing of such capital improvements.

The Reserve Fund Requirement with respect to the Series 2019 Bonds is initially expected to be satisfied by funds currently on deposit in the Reserve Fund.

Neither the Authority nor the Town funded a Reserve Fund with respect to the Series 2017 Bonds. A Reserve Fund has been established under the Trust Agreement in connection with the Series 2009 Bonds.

At the time that the Series 2009 Bonds are no longer outstanding, the Reserve Fund Requirement will be revised so that each Supplemental Trust Agreement may specify a Reserve Account Requirement for a corresponding series of Additional Bonds, if necessary. Further, a surety bond or

insurance policy issued to the Trustee, on behalf of the Bondholders, by a company licensed to issue an insurance policy guaranteeing the timely payment of the principal of and interest on the applicable series of Bonds (a “municipal bond insurer”) may be deposited in a Reserve Account to meet all or a portion of the applicable Reserve Account Requirement if such municipal bond insurer shall be rated by at least one rating agency at the time of such deposit in at least one of the two highest rating categories. Any such surety bond or insurance policy shall be valued at the face value of the policy even if the rating of the insurer shall have been reduced or withdrawn after deposit of such surety bond or insurance policy into the Reserve Fund. For more information, see APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS.”

Abatement

The Base Rental Payments due under the Lease shall be abated proportionately, during any period in which by reason of any damage or destruction (other than by condemnation, discussed below) there is substantial interference with the use and occupancy of the Leased Property by the Town, in the proportion in which the initial cost of that portion of the Leased Property rendered unusable bears to the initial cost of the whole of the Leased Property. Such abatement shall continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction. In the event of any such damage or destruction, the Lease shall continue in full force and effect and the Town waives any right to terminate the Lease by virtue of any such damage or destruction.

Eminent Domain

If the whole of the Leased Property or so much thereof as to render the remainder unusable for the purposes for which it was used by the Town shall be taken under the power or threat of eminent domain, the term of the Lease shall cease as of the day that possession shall be so taken. If less than the whole of the Leased Property shall be taken under the power or threat of eminent domain and the remainder is usable for the purposes for which it was used by the Town at the time of such taking, then the Lease shall continue in full force and effect as to such remainder, and the parties waive the benefits of any law to the contrary, and in such event there shall be a partial abatement of the rental due hereunder in an amount equivalent to the amount by which the annual payments of principal of and interest on the Bonds then Outstanding will be reduced by the application of the award in eminent domain to the redemption of Outstanding Bonds. So long as any of the Bonds shall be Outstanding, any award made in eminent domain proceedings for taking the Leased Property or any portion thereof shall be paid to the Trustee and applied to the prepayment of the Base Rental Payments. Any such award made after all of the Base Rental Payments and Additional Payments have been fully paid, or provision therefor made, shall be paid to the Town.

It is not possible to predict the circumstances under which such an abatement of rental may occur. In addition, there is no statute, case or other law specifying how such an abatement of rental should be measured. For example, it may be that the value of the Leased Property is substantially higher or lower than its value at the time of issuance of the Series 2019 Bonds. Such a circumstance could have an effect on the amount of rental abated under the Lease and could have a material adverse effect on the security for and payment of the Series 2019 Bonds.

If damage, destruction, title defect or eminent domain proceedings with respect to the Leased Property results in abatement of the Base Rental Payments related to such Leased Property and if such abated Base Rental Payments, if any, together with moneys from rental interruption or use and occupancy insurance (in the event of any insured loss due to damage or destruction) and moneys available in the Reserve Fund, are insufficient to make all payments of principal of and interest on the other Bonds during

the period that the Leased Property is being replaced, repaired or reconstructed, then all or a portion of such payments of principal and interest may not be made. Under the Lease and the Trust Agreement, no remedy is available to the Holders of the Series 2019 Bonds for nonpayment under such circumstances.

Remedies Upon Default

If the Town defaults under the Lease, the Lessor may enforce its remedies thereunder. In general, remedies under the Lease include the right (i) to maintain such Lease in full force and effect and receive all rent from the Town as it becomes due or re-let the Leased Property, or (ii) to terminate such Lease and the Town's right of possession and recover damages recoverable at law. The Trust Agreement provides that any Holder of the Series 2019 Bonds may by legal action compel the Authority to carry out its duties under the Lease, including maintaining and enforcing its rights under the Lease. See APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS." An abatement of rental in accordance with the terms of the Lease due to damage, destruction, title defect or condemnation is not an event of default under the Lease and none of the foregoing remedies is available. See "– Abatement" above.

While the Lease provides that the Leased Property may be re-let following a default, achieving such a remedy may not be practical due to the lack of a replacement lessee or other reasons. Moreover, although acceleration is a remedy provided in the Trust Agreement, the Base Rental Payments payable pursuant to the Lease may not be accelerated. Therefore, the circumstances under which the Trustee might declare the principal of and accrued interest on the Series 2019 Bonds due and payable immediately are limited.

Rental Interruption Insurance

The Lease requires the Authority to procure or cause to be procured and maintained throughout the term of the Lease, rental interruption or use and occupancy insurance to cover loss, total or partial, of the rental income from or the use of the Leased Property as the result of any of the hazards covered by the fire and extended coverage insurance required by the Lease, in an amount sufficient to pay the maximum annual Base Rental Payments for any two year period, except that such insurance may be subject to a deductible clause of not to exceed \$50,000. Any proceeds of such insurance and any amounts transferred from the Reserve Fund shall be used by the Trustee to reimburse to the Town any rental theretofore paid by the Town under the Lease attributable to such structure for a period of time during which the payment of rental under the Lease is abated, and any proceeds of such insurance not so used shall be applied as payment of Base Rental Payments (to the extent required for the payment of Base Rental) and in Additional Payments (to the extent required for the payment of Additional Payments).

Additional Bonds

Conditions for the Issuance of Additional Bonds. The Authority may at any time issue Additional Bonds pursuant to a Supplemental Trust Agreement, payable from the Revenues as provided in the Trust Agreement and secured by a pledge of and charge and lien upon the Revenues as provided in the Trust Agreement equal to the pledge, charge and lien securing the Series 2019 Bonds and any other additional bonds theretofore issued under the Trust Agreement, and subject to the following specific conditions, which are hereby made conditions precedent to the issuance of any such Additional Bonds:

- (a) The Authority shall be in compliance with all agreements and covenants contained in the Trust Agreement, and no Event of Default shall have occurred and be continuing.

(b) The Supplemental Trust Agreement shall require that the proceeds of the sale of such Additional Bonds shall be applied to the completion of a project or for the refunding or repayment of any Bonds then Outstanding, including the payment of costs and expenses of and incident to the authorization and sale of such Additional Bonds. The Supplemental Trust Agreement may also provide that a portion of such proceeds shall be applied to the payment of the interest due or to become due on said Additional Bonds during the estimated period of any construction and for a period of not to exceed twelve (12) months thereafter.

(c) The Supplemental Trust Agreement shall provide, if necessary, that from such proceeds or other sources an amount shall be deposited in the Reserve Fund so that following such deposit there shall be on deposit in the Reserve Fund an amount at least equal to the Reserve Fund Requirement.

(d) The aggregate principal amount of Bonds issued and at any time Outstanding under the Trust Agreement shall not exceed any limit imposed by law, by the Trust Agreement or by any Supplemental Trust Agreement.

(e) The Lease shall have been amended, if necessary, so that the Base Rental Payments payable by the Town under the Trust Agreement in each Fiscal Year shall at least equal Debt Service, including Debt Service on the Additional Bonds, in each Fiscal Year.

Proceedings for Authorization of Additional Bonds. Whenever the Authority and the Town shall determine to execute and deliver any Additional Bonds, the Authority and the Trustee shall enter into a Supplemental Trust Agreement providing for the issuance of such Additional Bonds, specifying the maximum principal amount of such Additional Bonds and prescribing the terms and conditions of such Additional Bonds. The Supplemental Trust Agreement shall prescribe the form or forms of such Additional Bonds and shall provide for the distinctive designation, denominations, method of numbering, dates, interest rates, provisions for redemption (if desired) and places of payment of principal and interest.

Before such Additional Bonds shall be issued, the Town and the Authority shall file or cause to be filed the following documents with the Trustee:

(a) An Opinion of Counsel setting forth (1) that such Counsel has examined the Supplemental Trust Agreement and the amendment to the Lease, (2) that the execution and delivery of the Additional Bonds have been and duly authorized by the Town and the Authority; and (3) that said amendment to the Lease, when duly executed by the Town and the Authority, will be a valid and binding obligation of the Town and the Authority.

(b) A Certificate of the Town that the requirements of certain provisions of the Trust Agreement have been met.

(c) A certified copy of a resolution of the Town authorizing the execution of the amendments to the Lease.

(d) A certified copy of a resolution of the Authority authorizing the execution of the Supplemental Trust Agreement.

(e) An executed counterpart or duly authenticated copy of any amendment to the Lease.

(f) A Certificate of the Town stating that the insurance required by the Lease is in effect.

Upon the delivery to the Trustee of the foregoing instruments and upon the Trustee's receipt of Certificates of the Town and of the Authority stating that all applicable provisions of the Trust Agreement have been complied with (so as to permit the execution and delivery of the Additional Bonds in accordance with the Supplemental Trust Agreement then delivered to the Trustee), the Trustee shall execute and deliver said Additional Bonds, in the aggregate principal amount specified in such Supplemental Trust Agreement, to, or upon the Written Request of, the Authority.

Substitution of Leased Property

The Town and the Authority may substitute real property as part of the Leased Property for purposes of the Site Lease and the Lease, including but not limited to, for the purpose of issuing Additional Bonds under the Trust Agreement, provided that the Town has filed with the Authority and the Trustee: (a) executed copies of the Site Lease and the Lease with the amended description of the Leased Property, (b) a Certificate of the Town containing the amended description of the Leased Property and stating that the Site Lease and Lease have been duly recorded in the official records of the County Recorder of Nevada County, (c) a Certificate of the Town, accompanied by a fair market appraisal from a qualified appraiser evidencing that the annual fair rental value of the substituted Leased Property will be at least equal to 100% of the maximum amount of Base Rental Payments becoming due in the then current year ending June 1 and in any subsequent year ending June 1, (d) evidence of title insurance with respect to the substituted Leased Property in an amount at least equal to the principal amount of Bonds then Outstanding, (e) a Certificate of the Town stating that the Town has beneficial use and occupancy of the Leased Property, (f) an Opinion of Counsel, as defined in the Trust Agreement, stating that such amendment or modification is authorized or permitted by laws of the State and the Lease, that such amendment will be valid and binding upon the Authority and the Town, and in and of itself, will not cause the interest on the Series 2009A Bonds, the Series 2017 Bonds or the Series 2019 Bonds to be included in gross income for federal income tax purposes, (g) a Certificate of the Town stating that the useful life of the substituted property meets or exceeds the remaining life of the Bonds, (h) no prior liens, other than Permitted Encumbrances, shall exist on the substituted property, and (i) the Authority will provide written notification of any substitution to rating agency. Notwithstanding anything to the contrary contained herein, the Town and the Authority may substitute real property comprised of all or a portion of the Project (the "Project Leased Property") as part of or in substitution of the Leased Property for purposes of the Site Lease and the Lease without complying with certain requirements set forth in the Lease, so long as the Town has beneficial use and occupancy of the Project Leased Property.

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DEBT SERVICE SCHEDULE

The following table sets forth the schedule of debt service for the Series 2019 Bonds, on a Fiscal Year basis.

Fiscal Year Ending	Series 2019 Bonds		Total Debt Service
	Principal	Interest	Total Debt Service
2021	\$	\$	\$
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
TOTAL	\$	\$	\$

PLAN OF FINANCE AND THE LEASED PROPERTY

General

The Series 2019 Bonds are expected to be issued for the purpose of providing funds to: (i) finance the acquisition, improvement and renovation of a corporation yard and related facilities, (ii) fund a reserve fund with respect to the Series 2019 Bonds and (iii) pay costs of issuance incurred in connection with the issuance, sale and delivery of the Series 2019 Bonds.

The Leased Property

Under the Lease, the Town is obligated to pay Base Rental Payments to the Authority for the occupancy and use of the Leased Property. The Leased Property consists of the Town’s Public Service Center. It is located at 10595 Stevens Road, Truckee California and consists of a 13 acre site with four buildings. The buildings include the 33,216 square feet main corporation yard building which houses mechanic bays, storage, the administrative offices, crew quarters and meeting rooms, the 8,167 square feet sand barn, the 812 square feet generator building and the 80 square feet fueling station, all as built between 2009 and 2010. The insured value of the buildings is approximately \$13.9 million.

TOWN FINANCIAL INFORMATION

Organization

The Town of Truckee was incorporated on March 23, 1993, and became a charter city on September 15, 1995. The Town operates under the council/manager form of government. The five Council Members are elected at large for staggered four-year terms. Each year, the Council Members choose which of them will serve as Mayor and Vice Mayor for the following year.

The Town Manager is appointed by the Council and serves at the Council's pleasure as the administrative head of the Town. The Town Manager is responsible for the appointment of all Town employees and department heads except the Town Attorney (who is appointed by the Town Council).

Members and Officers

The members and officers of the Town and the expiration dates of their terms are as follows:

<u>Name and Office</u>	<u>Expiration of Term</u>
David Tirman, Mayor	December, 2020
Morgan Goodwin, Vice Mayor	December, 2022
Jessica Abrams, Council Member	December, 2020
Anna Klovstad, Council Member	December, 2022
David Polivy, Council Member	December, 2022

The policy set by the Town Council is executed by the Town staff, which include:

Jeff Loux, Town Manager, was appointed to this position in August 2017. With over 30 years of management and leadership experience, Jeff's career within the fields of planning, environmental and land-use policy is long and varied, including:

- Community Development Director of the Town of Truckee;
- Community Development Director for the City of Davis;
- Assistant Planning Director for Santa Cruz County;
- Associate Dean and Director of Land Use and Natural Resources at UC Davis Extension;
- Facilitated general plans, climate action plans and water policy for communities throughout California;
- Author of several books on water, land use planning and natural resource management;
- Significant experience in facilitating complex stakeholder and community engagement processes.

Jeff holds a Ph.D. in Environmental Planning from University of California, Berkeley, and Master of Science degree in Geography from University of California, Los Angeles, and Bachelor's degrees from University of California, Santa Barbara.

Kim Szczurek, Administrative Services Director, was appointed to this position in February 2007. Prior to her tenure with the Town, Ms. Szczurek worked as an Audit Manager at Deloitte Haskins and Sells in San Francisco. She has 25 years of local governmental accounting, finance, budgeting and human resource experience with three other local governmental agencies. Ms. Szczurek is a Certified

Public Accountant and holds a Bachelor’s degree in Business Administration from the University of the Pacific in Stockton, California.

Assessed Valuation and Property Taxes

Table 1 sets forth a five-year history of the Town’s assessed property valuation.

**TABLE 1
TOWN OF TRUCKEE
Assessed Valuation History**

<u>Fiscal Year</u>	<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>
2014-15	\$5,236,530,488	\$2,139,840	\$72,324,909	\$5,310,995,237
2015-16	5,590,749,831	2,486,400	70,210,528	5,663,446,759
2016-17	5,861,121,504	2,486,400	71,671,219	5,935,279,123
2017-18	6,207,818,754	2,486,400	70,219,269	6,280,524,423
2018-19	6,664,065,291	2,486,400	83,947,369	6,750,499,060

Source: California Municipal Statistics, Inc.

Teeter Plan. The Town is located within the County of Nevada (the “County”), which is a county that is following the “Teeter Plan” (defined below) with respect to property tax collection and disbursement procedures. In California, a county can implement an alternate procedure for the distribution of certain property tax levies on the secured roll pursuant to Chapter 3, Part 8, Division 1 of the Revenue and Taxation Code of the State (comprising Section 4701 through 4717, inclusive), commonly referred to as the “Teeter Plan.”

Generally, the Teeter Plan provides for a tax distribution procedure by which secured roll taxes and assessments are distributed to taxing agencies within the county included in the Teeter Plan on the basis of the tax levy, rather than on the basis of actual tax collections. The County then receives all future delinquent tax payments, penalties and interest, and a complex tax redemption distribution system for all participating taxing agencies is avoided. While the County bears the risk of loss on delinquent taxes that go unpaid, it benefits from the penalties associated with these delinquent taxes when they are paid. In turn, the Teeter Plan provides participating local agencies with stable cash flow and the elimination of collection risk.

The valuation of property is determined as of January 1 each year and equal installments of tax levied upon secured property become delinquent on the following December 10 and April 10. Taxes on unsecured property are due May 15 and become delinquent August 31.

The County can elect to terminate its Teeter Plan for subsequent Fiscal Years, in which case the Town would receive only the taxes and assessments actually collected and delinquent amounts when and if received. The County can also elect to terminate its Teeter Plan if more than three percent (3%) of the total tax levy is delinquent. The County has never terminated its Teeter Plan and has not informed the Town of any plans to terminate its Teeter Plan, generally or with respect to the Town specifically.

Table 2 sets forth a five-year history of the Town's secured tax levy.

TABLE 2
TOWN OF TRUCKEE
Tax Levies

<u>Fiscal Year</u>	<u>Secured Tax Levy</u>
2014-15	\$ 8,795,296
2015-16	9,403,721
2016-17	9,841,797
2017-18	10,403,680
2018-19	11,121,400

Source: California Municipal Statistics, Inc.

General Long-Term Debt

Table 3 sets forth the Town's long-term debt as of June 30, 2018.

TABLE 3
TOWN OF TRUCKEE
General Long-Term Debt

<u>Description</u>	<u>Balance as of June 30, 2018</u>
Lease Revenue Bonds Payable ⁽¹⁾	\$12,432,000
Less Unamortized Discount	(45,374)
Less Unamortized Premium	225,756
Compensated Absences	<u>1,301,216</u>
Total General Long-Term Debt	\$13,913,598

Source: Town of Truckee, audited financial statements for the Fiscal Year ending June 30, 2018.

⁽¹⁾ Issued by the Authority and secured by Base Rental Payments of the Town.

Statement of Direct and Overlapping Debt

The direct and overlapping debt of the Town as of July 1, 2019 is shown in the following table.

**TABLE 4
TOWN OF TRUCKEE
STATEMENT OF DIRECT AND OVERLAPPING INDEBTEDNESS
As of July 1, 2019**

2018-19 Assessed Valuation: \$6,750,379,049

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 8/1/19</u>
Sierra Joint Community College District School Facilities Improvement District No. 1	31.322%	\$ 7,783,822
Tahoe-Truckee Joint Unified School District	29.783	830,946
Tahoe-Truckee Joint Unified School District School Facilities Improvement District No. 1	52.173	53,349,479
Tahoe Forest Hospital District	31.295	30,540,791
Truckee-Donner Public Utilities District Community Facilities Districts	100.000	<u>39,334,800</u>
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		\$131,839,838
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Nevada County Certificates of Participation	34.221%	\$11,301,342
Nevada County Office of Education General Fund Obligations	34.221	343,564
Sierra Joint Community College District Certificates of Participation	6.739	251,095
Town of Truckee General Fund Obligations	100.000	8,118,000⁽¹⁾
Truckee Donner Recreation and Park District Certificates of Participation	94.277	<u>17,851,350</u>
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$37,865,351
<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agency):</u>		12,225,000
COMBINED TOTAL DEBT		\$181,930,189⁽²⁾

Ratios to 2018-19 Assessed Valuation:

Total Overlapping Tax and Assessment Debt.....	1.95%
Combined Direct Debt (\$8,118,000)	0.12%
Combined Total Debt.....	2.70%

Ratios to Redevelopment Incremental Valuation (\$253,790,371):

Total Overlapping Tax Increment Debt	4.82%
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⁽¹⁾ Excludes Series 2019 Bonds to be sold.

⁽²⁾ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

TABLE 5
TOWN OF TRUCKEE
General Fund Balance Sheet
Fiscal Years Ending June 30

	2014	2015	2016	2017	2018
ASSETS					
Cash and investments	\$19,415,456	\$24,702,227	\$30,308,279	\$28,643,485	\$32,810,579
Cash with fiscal agent	-	-	-	-	-
Accounts receivable	211,753	161,367	186,208	235,174	234,365
Interest receivable	92,785	88,455	106,871	129,851	203,113
Taxes receivable	1,210,297	1,222,916	2,012,558	1,820,495	1,912,445
Deposits	-	-	-	-	-
Due from other funds	-	860,442	4,046	208,599	2,285
Due from other governments	101,902	61,846	83,273	77,825	164,770
Inventories	490,792	449,614	388,137	302,735	336,439
Prepaid costs and deposits	99,912	90,709	86,663	73,711	84,640
Advances to other funds	-	-	-	-	-
Long-term interest receivable	-	-	-	-	-
Notes receivable	-	-	-	-	-
Loans receivable	2,610,460	2,664,847	1,709,067	1,860,731	1,878,067
TOTAL ASSETS	\$24,233,357	\$30,302,423	\$34,885,102	\$33,352,606	\$37,626,703
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$185,621	\$224,291	\$259,117	\$374,183	\$362,887
Salaries and benefits payable	291,053	234,595	699,656	642,720	679,144
Deposits payable	59,016	76,768	142,664	19,303	136,902
Due to other funds	-	-	-	-	-
Unearned revenue	19,678	21,023	13,054	15,374	18,042
Advances from other funds	-	-	-	-	-
TOTAL LIABILITIES	\$555,368	\$556,677	\$1,114,491	1,051,580	\$1,196,975
DEFERRED INFLOWS OF RESOURCES⁽¹⁾					
	\$2,713,580	\$2,689,728	\$1,790,627	\$1,914,024	\$2,093,612
FUND BALANCES					
Nonspendable	\$ 490,792	\$ 449,614	\$ 474,800	\$ 376,446	\$ 421,079
Restricted	105,000	105,000	105,000	105,000	105,000
Assigned	12,993,432	17,237,444	19,257,564	17,304,888	19,248,909
Unassigned	7,375,185	9,263,960	12,142,620	12,600,668	14,561,128
TOTAL FUND BALANCES	\$20,964,409	\$27,056,018	\$31,979,984	\$30,387,002	\$34,336,116
TOTAL LIABILITIES AND FUND BALANCES	\$24,233,357	\$30,302,423	\$34,885,102	\$33,352,606	\$37,626,703

⁽¹⁾ Deferred inflows of resources represent changes in total pension liability and fiduciary net position as reported under GASB 68.
Source: Town of Truckee, audited financial statements for the Fiscal Years ending June 30, 2014, 2015, 2016, 2017 and 2018.

Budgetary Controls

The Town Council has adopted financial policies that currently include, but are not limited to, the below listed budgetary considerations. The following policies may be re-evaluated and changed by the Town Council at any time.

- (1) The Town will strive to maintain a diversified and stable revenue base that is not overly dependent on any land use, major taxpayer, revenue type, restricted revenue, inelastic revenue, or external revenue.
- (2) The fees and charges will be set at a level that fully supports the total direct and indirect cost of the activity, including administrative overhead and depreciation, and in accordance with the Town's Fee Policy.
- (3) The Town shall maintain a General Fund Reserve for economic uncertainties and working capital equal to 25% of General Fund Revenues.
- (4) The operating budget will be prepared to fund current year expenditures with current year revenue. Surplus fund balances may be used to increase reserves, fund capital improvement projects or be carried forward to fund future years' operating budgets when necessary to stabilize services and fund capital outlay.
- (5) All budget transfers require the approval of the Town Manager or designee except those affecting personnel and capital outlay which must be approved by the Town Council.
- (6) The Town will attempt to limit the debt ratio (debt guaranteed by the General Fund) to 10%. The debt ratio is calculated by the relationship between the debt and the General Fund revenue.
- (7) Whenever possible, the Town will investigate the use of special assessment, revenue or other self-supporting bonds to limit the General Fund obligation for debt service payments.

The Town adopted its Fiscal Year 2018-19 budget on June 12, 2018 and its Fiscal Year 2019-20 budget on June 11, 2019. Table 6 sets forth the Town's Approved Budget for Fiscal Year 2018-19, estimated actual figures for Fiscal Year 2018-19, and the Approved Budget for Fiscal Year 2019-20.

**TABLE 6
TOWN OF TRUCKEE
GENERAL FUND SUMMARY FISCAL YEARS 2018-19 AND 2019-20**

	2018-19 APPROVED BUDGET	2018-19 ESTIMATED ACTUAL*	2019-20 APPROVED BUDGET
REVENUES			
Taxes	\$19,808,315	\$21,147,578	\$21,332,808
Intergovernmental	1,888,000	1,818,181	1,889,954
Other	1,719,731	2,015,852	2,110,607
Planning Fees	183,000	175,020	182,433
Gas Taxes	1,975,785	2,015,236	2,502,955
Transfers	629,776	572,728	634,453
Total Revenues	<u>\$26,204,606</u>	<u>\$27,744,595</u>	<u>\$28,653,210</u>
EXPENDITURES			
Town Council	\$ 139,100	\$ 127,705	\$ 137,760
Town Manager	300,729	281,851	332,720
Town Attorney	342,292	295,038	380,953
Town Clerk	552,094	515,378	614,139
Administrative Services	1,059,411	1,036,842	1,167,574
General government	1,303,284	1,295,781	1,389,685
Economic Development	737,478	646,395	744,263
Information Technology	565,367	557,838	700,332
Sustainability	-	-	152,324
Engineering	1,493,500	1,434,143	1,564,987
Public works – Maintenance	2,171,766	1,980,164	2,115,848
Public works – Snow	3,309,465	3,436,724	3,304,934
Fleet Maintenance	25,000	25,000	25,000
Public works – Trails Maintenance	177,346	156,366	174,587
Facilities	1,475,960	1,295,972	1,423,223
Planning	1,046,461	964,138	1,050,896
Police	74,725	69,753	80,388
Animal Services	6,235,156	5,780,598	6,629,802
Code Compliances	494,003	488,762	492,966
Total Operating Expenditures	<u>\$21,503,136</u>	<u>\$20,388,450</u>	<u>\$22,482,381</u>
Debt Service	<u>\$689,427</u>	<u>\$649,771</u>	<u>\$694,726</u>
Total Expenditures	<u>\$22,192,563</u>	<u>\$21,038,221</u>	<u>\$23,177,108</u>
Operating Revenues Over (Under) Expenditures	\$4,012,043	\$6,706,375	\$5,476,102
Capital Expenditures	(5,417,274)	(4,544,835)	(12,537,376)
Revenue Over (Under) Expenditures	<u><u>\$(1,405,231)</u></u>	<u><u>\$2,161,540</u></u>	<u><u>\$(7,061,274)</u></u>

* Totals may not add up due to rounding.
Source: Town of Truckee.

Financial Statements

The Town is audited annually by an independent auditor. The Town's audited General Fund balance sheets for Fiscal Years 2013-14 through 2017-18 are presented in Table 5. The budget and estimated actual figures for Fiscal Year 2018-19 and the budget figures for Fiscal Year 2019-20 are presented in Table 6. Table 7 presents audited General Fund revenues, expenditures, and fund balances for Fiscal Years 2013-14 through 2017-18.

TABLE 7
TOWN OF TRUCKEE
General Fund Statement of Revenues, Expenditures and Fund Balance
Fiscal Years Ending June 30

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
REVENUES					
Taxes and assessments	\$15,112,942	\$16,240,093	\$18,143,978	\$19,432,051	\$20,317,704
Licenses and permits	30,809	215,433	244,501	277,997	274,295
Fines and forfeitures	254,966	274,605	228,117	221,917	191,860
Use of money and property	116,199	135,435	298,088	103,321	319,897
Intergovernmental revenues	1,559,066	1,691,596	2,107,077	1,862,488	2,016,552
Charges for services	903,083	973,421	1,127,735	1,201,289	1,300,113
Donations	-	-	-	-	-
Other revenues	576,101	366,907	1,371,914	316,740	636,242
Total Revenues	<u>\$18,553,166</u>	<u>\$19,897,490</u>	<u>\$23,521,410</u>	<u>\$23,415,803</u>	<u>\$25,056,663</u>
EXPENDITURES					
General government	\$3,833,348	\$3,607,142	\$4,163,661	\$4,210,774	\$4,387,704
Public safety	5,697,849	5,577,184	5,766,554	5,730,059	6,163,617
Public works	4,825,641	4,916,201	5,696,118	6,313,818	6,024,358
Community development	704,535	782,600	883,954	956,656	926,727
Facilities	963,417	921,305	1,030,033	1,183,377	1,235,254
Capital outlay	28,090	540,380	136,463	5,693	8,065
Debt service	-	-	-	-	-
Principal	-	-	-	-	-
Interest and other charges	-	-	-	-	-
Total Expenditures	<u>\$16,052,880</u>	<u>\$16,344,812</u>	<u>\$17,676,783</u>	<u>\$18,400,377</u>	<u>\$18,745,725</u>
Excess of Revenues Over (Under) Expenditures	<u>\$2,500,286</u>	<u>\$3,552,678</u>	<u>\$5,844,627</u>	<u>\$5,015,426</u>	<u>\$6,310,938</u>
OTHER FINANCING SOURCES (USES)					
Transfers in ⁽¹⁾	\$1,999,413	\$1,635,457	\$1,774,564	\$1,917,288	\$2,369,812
Transfers out ⁽¹⁾	(2,573,497)	(5,106,965)	(2,695,225)	(8,525,696)	(4,731,636)
Total Other Financing Sources (Uses)	<u>(\$574,084)</u>	<u>(\$3,471,508)</u>	<u>(\$920,661)</u>	<u>(\$6,608,408)</u>	<u>\$(2,361,824)</u>
Extraordinary item	-	\$6,010,439 ⁽²⁾	-	-	-
Net Change in Fund Balances	\$1,926,202	6,091,609	\$4,923,966	\$(1,592,982)	\$3,949,114
FUND BALANCE, Beginning of Year	<u>\$19,038,207</u>	<u>\$20,964,409</u>	<u>\$27,056,018</u>	<u>\$31,979,984</u>	<u>\$30,387,002</u>
FUND BALANCE, End of Year	<u>\$20,964,409</u>	<u>\$27,056,018</u>	<u>\$31,979,984</u>	<u>\$30,387,002</u>	<u>\$34,336,116</u>

⁽¹⁾ Operating transfers in consist mainly of gas tax revenues and operating transfers out consist mainly of the General Fund portion of capital improvement projects.

⁽²⁾ The extraordinary item consists of a transfer from the California Department of Finance of remaining unspent bond proceeds from the issuance of the Truckee Redevelopment Agency 2010 Tax Increment Bonds and a transfer of land to the Town previously held by such redevelopment agency.

Source: Town of Truckee, audited financial statements for the Fiscal Years ending June 30, 2014, 2015, 2016, 2017 and 2018.

Revenue and Expenditure Analysis for Fiscal Year 2017-18

Revenues from General Fund sources totaled approximately \$25.1 million in Fiscal Year 2017-18 compared to approximately \$23.4 million in 2016-17.

The major revenue source for the General Fund continues to be property tax, which represents 45.4% of total General Fund revenues. Sales taxes provided 17.3% of total General Fund revenues. Other taxes (transient occupancy tax and franchise tax) amounted to 18.3% of total General Fund revenues.

The following summarizes the various General Fund revenue sources and the percentage of the total:

General Fund Revenue Source (6/30/2018)	Amount	Percent of Total
Property taxes	\$11,383,857	45.4%
Sales tax	4,342,553	17.3
Other taxes ⁽¹⁾	4,591,294	18.3
Licenses and permits	274,295	1.1
Fines and forfeitures	191,860	0.8
Use of money and property	319,897	1.3
Intergovernmental revenues	2,016,552	8.0
Charges for services	1,300,113	5.2
Other revenues	636,242	2.5
TOTAL*	\$25,056,663	100.0%

* Totals may not add up due to rounding.

⁽¹⁾ Inclusive of Transient Occupancy Tax.

Source: Town of Truckee.

The assessed valuation for Fiscal Year 2017-18 totals \$6,280,524,423, which represents an increase over the prior Fiscal Year of 5.8% due to increases in sales tax increases under Proposition 13 and new construction leading to higher property tax revenues. Property tax revenue for Fiscal Year 2017-18 increased by 5.3% over the prior Fiscal Year. Sales tax revenue for Fiscal Year 2017-18 increased by 6.8% over the prior Fiscal Year, while Transient Occupancy Tax revenue (which includes revenue from taxes on vacation rental property and hotels) decreased by 0.5%. The Transient Occupancy Tax revenue for Fiscal Year 2016-17 included one-time revenue from the implementation of additional monitoring efforts, reflecting an artificial increase in revenue for Fiscal Year 2016-17. Since the monitoring program was instituted, property registrations and tax remittances continue to increase.

A sales tax is imposed on retail sale or consumption of personal property. Sales tax revenues are determined by the total taxable transactions within a jurisdiction and distributed by the State Board of Equalization to the jurisdiction where the sale took place. Sales taxes collected from merchants with no permanent place of business (i.e. manufacturers, construction contractors, etc.) are accumulated to a County-wide or State-wide (out-of-state businesses) pool and distributed to cities and counties in proportion to their collections from all sales taxpayers.

The value and volume of these taxable transactions are in turn dependent on economic and other factors which will influence the Town. Such factors included the level of inflation affecting the price of goods and services subject to the sales tax, the rate of population growth in the general area, the characteristics of retail developments, including the relative size of market service areas, the sensitivity of

the types of businesses within the Town to changes in the economy, and competing retail establishments outside the Town. A deterioration of economic and other factors influencing taxable sales generated in the Town would reduce the level of taxable sales generated in the Town, thereby reducing sales tax revenues.

The Town voters have approved a half cent sales tax for road and drainage maintenance through 2030 and a quarter cent sales tax for trails and sidewalk installation and maintenance through 2024. While these revenues are not included in the General Fund, they enhance the level of service the Town can provide.

Expenditures for General Fund purposes totaled \$18,745,725 million as of June 30, 2018. The major General Fund expenditures and their share of the total are summarized as follows:

General Fund Expenditure Source (6/30/2018)	Amount	Percent of Total
General Government	\$4,387,704	23.4%
Public Safety	6,163,617	32.9
Public Works	6,024,358	32.1
Community Development	926,727	4.9
Facilities	1,235,254	6.6
Capital Outlay	8,065	0.0
TOTAL	\$18,745,725	100.0%

* Totals may not add up due to rounding.
Source: Town of Truckee.

Preliminary Revenue and Expenditure Analysis for Fiscal Year 2018-19

General Fund revenues are currently budgeted to be \$26.2 million for Fiscal Year 2018-19 and expenditures are budgeted to be \$21.9 million. In comparison, the Town’s Fiscal Year 2017-18 Amended Budget included budgeted revenues of \$25.2 million and budgeted expenditures of \$21.1 million.

The assessed valuation for Fiscal Year 2018-19 totals \$6,750,499,060, which represents an increase over the prior Fiscal Year of 7.5% due to both revised assessment and new construction leading to higher property tax revenues. Property tax revenue for Fiscal Year 2018-19 is expected to increase by 6.9% over the prior Fiscal Year. The major revenue source for the General Fund continues to be property tax, which is expected to represent 45.5% of total General Fund revenues in Fiscal Year 2018-19. Sales tax is expected to provide 16.5% of total General Fund revenues. Other taxes (transient occupancy tax and franchise tax) are expected to amount to 19.4% of total General Fund revenues.

Expenditures for General Fund purposes are estimated to be \$20.4 million for 2018-19. Actual expenditures were lower than budgeted expenditures as a result of budgetary savings, lower than anticipated personnel costs and deferral of capital project costs into later years.

Source of Lease Payments

Lease payments are payable from all available revenues of the Town. The sources include all funds of the Town except those which are specifically restricted for designated purposes, such as the Debt Service Funds for the outstanding indebtedness of the Town. The Town’s General Fund is available to make lease payments. As of June 30, 2018, the fund balance in the Town’s General Fund equaled \$34,336,116, and the Town has budgeted \$694,726 for lease payments in its fiscal year 2019-20 budget.

State Budget

The following information concerning the State budget has been obtained from publicly available information, which the Town believes to be reliable; however, the Town takes no responsibility as to the accuracy or completeness thereof and has not independently verified such information. Information about the State budget is regularly available at various State-maintained websites. Text of the budget may be found at the Department of Finance website, www.dof.ca.gov, under the heading “California Budget.” An impartial analysis of the budget is posted by the Office of the Legislative Analyst at www.lao.ca.gov. In addition, various State official statements, many of which contain a summary of the current and past State budgets, may be found at the website of the State Treasurer, www.treasurer.ca.gov, and the website of the State Controller, <http://www.sco.ca.gov>. The information referred to is prepared by the respective State agency maintaining each website and not by the Town, the Authority or the Underwriter, and the Town, the Authority and the Underwriter take no responsibility for the continued accuracy of the internet addresses or for the accuracy or timeliness of information posted there, and such information is not incorporated herein by these references.

State Budget Process

According to the State Constitution, the Governor of the State (the “Governor”) is required to propose a budget to the State Legislature no later than January 10 of each year, and a final budget must be adopted by a two-thirds vote of each house of the Legislature no later than June 15, although this deadline is routinely breached. The budget becomes law upon the signature of the Governor, who may veto specific items of expenditure. The Governor signed the 2018-19 Budget Act (the “2018-19 State Budget”) on June 27, 2018. The impact of the 2018-19 State Budget on local governments, including the Town, is discussed further below.

The 2019-20 State Budget

The 2019-20 State Budget projects State General Fund revenues of \$143.8 billion (including transfers) for Fiscal Year 2019-20, a 4.2 percent increase above the anticipated revenues for Fiscal Year 2018-19. The 2019-20 State Budget also projects State General Fund expenditures of \$147.8 billion, an increase of 3.6 percent above the anticipated expenditures for Fiscal Year 2018-19.

The 2019-20 State Budget includes funding in various budgets aimed at maintaining fiscal prudence and promoting affordability and economic opportunities. In addition to a \$1.4 billion reserve in the Special Fund for Economic Uncertainties, the 2019-20 State Budget adds \$900 million to the Proposition 2 Budget Stabilization Account, bringing the balance to \$16.5 billion in Fiscal Year 2019-20. The 2019-20 State Budget allocates a total of \$14.8 billion to build budgetary resilience and pay down the State’s unfunded liabilities, inclusive of \$4.5 billion to eliminate debts and reverse deferrals, \$5.5 billion to build reserves, and \$4.3 billion to pay down unfunded retirement liabilities (including supplemental payments to CalPERS totaling \$3 billion over the current Fiscal Years and subsequent three Fiscal Years).

Certain features of the 2019-20 State Budget affecting local governments include the following:

1. The 2019-20 State Budget invests \$650 million in one-time funds to support local governments combating homelessness. The 2019-20 State Budget also expands whole person care pilot projects to additional counties and makes a major investment in the workforce, education, and training of mental health professionals. In total, the 2019-20 State Budget includes \$1 billion to prevent and mitigate the homelessness epidemic.

2. The 2019-20 State Budget includes \$75 million one-time General Fund resources to work with local governments to protect vulnerable populations and improve resiliency of the State's critical infrastructure in response to utility-led public safety power shutdown (PSPS) actions.

3. The 2019-20 State Budget includes \$40 million one-time General Fund resources to provide relief to local governments and communities and support recovery efforts in the wake of recent natural disasters, such as wildfires and floods.

Future State Budgets

No prediction can be made by the Town as to the future actions that will be taken by the State Legislature and the Governor to address changing State revenues and expenditures or the impact such actions will have on State revenues available in this or in any future Fiscal Years. In addition, the Town cannot predict the final outcome of future State budget negotiations or the impact that such budgets will have on its finances and operations. Current and future State budgets will be affected by national and State economic conditions and other factors over which the Town has no control. Certain actions could result in a significant shortfall of revenue and cash, and could impair the State's ability to fund local agencies in future Fiscal Years. Certain factors, like an economic recession, could result in State budget shortfalls in any Fiscal Year and could have a material adverse financial impact on the Town.

CalPERS Pension Plan

Plan Description

The Town provides retirement benefits to all full-time Town employees through a contract with the Public Agency portion of the California Public Employees Retirement System (CalPERS), a multiple-employer public sector employee defined benefit pension plan. CalPERS acts as a common investment and administrative agent for participating public employers within the State of California.

CalPERS maintains two pension plans for the Town, a Safety Plan (the "Safety Plan") and a Miscellaneous Plan (the "Miscellaneous Plan" and, together with the Safety Plan, the "PERS Plans"). The PERS Plans provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

A menu of benefit provisions, as well as other requirements, are established by State statutes within the Public Employees' Retirement Law. The Town selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance or resolution. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office on 400 Q Street, Sacramento, California, 95814.

In February 2002, the CalPERS Board approved the conceptual details for pooling of small public agency plans. In October 2003, Assembly Bill 1974 was chaptered giving full authority to the Board to implement pooling. Pooling is mandatory for all public agency plans with less than 100 active members as of June 30, 2003. Nine active pools were initially created, one for each miscellaneous or safety benefit formula; pension reform in 2012 introduced new miscellaneous and safety benefit formulas for all new hires effective January 2013, and in May 2014, the CalPERS Board approved a change to combine all existing pools into two pools, one for all miscellaneous groups and one for all safety groups. Cost adjustments are made for certain "Class 1" benefits, including One-Year Final Compensation, Post Retirement Survivor Allowance, 3%, 4% or 5% cost of living adjustments, and improved industrial disability benefits for miscellaneous members; "Class 2" benefits, including Golden Handshakes – two

years additional service credit, military service credit, and 1% to 6% ad hoc cost of living adjustment increases for members who retired or died prior to January 1, 1988; and “Class 3” benefits, including alternate death benefit for local fire members credited with 20 or more years of service, improved nonindustrial disability allowance, and special death benefit for local miscellaneous members. In order to ensure similarity of other benefit provisions within each pool, the Board mandated certain benefits for all pooled plans effective on July 1 of the contribution year set by the valuation. In addition, pooled plans will have an initial side fund amortization established to reflect funded status at implementation. For this reason, pooled plans have a mandatory fresh start of amortization bases over the net period effective for the multiple bases.

In September 2012, the Governor signed AB 340 and AB 197, two bills which enacted the California Public Employees’ Pension Reform Act of 2013 (PEPRA). AB 340 made several changes to pension benefits that may be offered to employees hired on or after January 1, 2013, including setting a new maximum benefit, a lower-cost pension formula for safety and non-safety employees with requirements to work longer in order to reach full retirement age and a cap on the amount used to calculate a pension. Among other things, AB 340 also enacted pension spiking reform for new and existing employees, required three-year averaging of final compensation for new employees, and provided employers with new authority to negotiate cost-sharing agreements with current employees. AB 340 also contained limitations on the use of retired annuitants, requiring that an annuitant have a six-month break in service prior to returning to work.

The legislation created mandatory benefits tiers for new employees who have not worked for another CalPERS agency hired beginning January 1, 2013 ranging from 2.0% at age 50 to a maximum of 2.7% at age 57 for policy safety and fire safety employees and 1.1% at age 50 to a maximum of 2.5% at age 67 for miscellaneous employees.

CalPERS also provides death and disability benefits. These benefit provisions and all other requirements are established by state statute and local ordinance.

Funding Policy. Active plan members in the Miscellaneous Plan are required to contribute 6.5% to 8% of their annual covered salary and active members in the Safety Plan are required to contribute 9% to 12.25% of their annual covered salary. The Town is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for Fiscal Year 2017-18 was 6.908% to 12.470% for miscellaneous employees and 12.729% to 21.418% for safety employees plus lump sum contributions for the Plans unfunded liability. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

Required Contributions for Fiscal Years 2017-18 and 2018-19. According to the June 30, 2015 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as percent of pay, the required employer contribution rate for Fiscal Year 2017-18 will be 6.908% to 12.47% of payroll for miscellaneous employees and 12.7% to 21.4% for safety employees. The actuarial assumptions included: (a) 0 percent investment rate of return in Fiscal Year 2015-16 and 7.5 percent every fiscal year thereafter; (b) projected salary increases that vary by duration; and (c) 3% payroll growth. The rate of inflation is estimated to be 2.75%.

According to the June 30, 2016 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as percent of pay, the required employer contribution rate for Fiscal Year 2018-19 is 7.266% to 13.084% of payroll for miscellaneous employees and 12.965% to 22.346% for safety employees. The actuarial assumptions included: (a) 7.375% investment rate of return

in Fiscal Year 2016-17 and alternate fixed annual returns in subsequent Fiscal Years; (b) projected salary increases that vary by duration; and (c) 3% payroll growth. The rate of inflation is estimated to be 2.75%.

Fiscal Year	Projected Annual Payroll	Estimated Required Employer Contribution as Percentage of Projected Payroll	Estimated Required Employer Contribution Based on Projected Payroll
2015-16	\$7,691,091	18.8%	\$1,449,580
2016-17	8,432,385	19.3	1,631,156
2017-18	8,613,863	19.9	1,714,918
2018-19	9,378,605	21.1	1,977,320

Source: CalPERS Actuarial Valuations as of June 30, 2013 through 2016 Miscellaneous and Safety Plans of the Town of Truckee.

In addition, the Town is responsible to pay an annual contribution for the amortization of the Plans unfunded actuarial liability. The required payments for the unfunded liability are as follows:

	Fiscal Year 2018-19	Fiscal Year 2017-18	Fiscal Year 2016-17	Fiscal Year 2015-16
Miscellaneous Plan	\$506,866	\$403,184	\$336,259	\$291,919
Safety Plan	173,151	130,432	102,460	83,910

Source: CalPERS Actuarial Valuations as of June 30, 2013 through 2016, Miscellaneous and Safety Plans of the Town of Truckee.

Net Pension Liability. According to the Town's audited financial statements for Fiscal Year 2017-18, the Town's net pension liability for its proportionate share was \$12,720,474. The total pension liability used to calculate the net pension liability for Fiscal Year 2017-18 was determined as part of the June 30, 2016 actuarial valuations rolled forward to June 30, 2017 using standard update procedures. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Town's proportionate share of the net pension liability was 0.124369% for the Fiscal Year ended June 30, 2017 and 0.128266% for the Fiscal Year ended June 30, 2018.

Fiscal Year Ended	Proportionate Share of Net Pension Liability
June 30, 2017	\$10,761,789
June 30, 2018	12,720,474

Source: Town of Truckee audited financial statements for the Fiscal Year ended June 30, 2018.

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. For the year ended June 30, 2018 the Town recognized pension expense of \$3,058,194.

The Miscellaneous Plan

Funding History of the Miscellaneous Plan

Valuation Date	Accrued Liability (AL)	Share of Pool's Market Value of Assets (MVA)	Plan's Share of Pool's Unfunded Liability	Funded Ratio	Annual Covered Payroll
June 30, 2011	\$21,172,354	\$16,266,422	\$4,905,932	76.8%	\$5,414,803
June 30, 2012	22,906,811	16,603,513	6,303,298	72.5	5,177,691
June 30, 2013	25,134,259	19,280,691	5,853,568	76.7	4,697,088
June 30, 2014	28,363,882	23,039,531	5,324,351	81.2	4,551,574
June 30, 2015	31,231,400	24,584,008	6,647,392	78.7	4,353,235
June 30, 2016	34,231,633	25,274,310	8,957,323	73.8	4,756,897
June 30, 2017	37,333,328	28,458,826	8,874,502	76.2	4,724,244

Source: Town of Truckee and CalPERS Actuarial Valuations as of June 30, 2011 through 2017, Miscellaneous Plan of the Town of Truckee.

Funding History of the Miscellaneous Plan – Tier 2

Valuation Date	Accrued Liability (AL)	Share of Pool's Market Value of Assets (MVA)	Plan's Share of Pool's Unfunded Liability	Funded Ratio	Annual Covered Payroll
June 30, 2012	\$ 6,781	\$ 4,880	\$1,901	72.0%	\$143,286
June 30, 2013	38,833	29,588	9,245	76.2	166,587
June 30, 2014	80,477	83,390	(2,913)	103.6	266,649
June 30, 2015	127,841	134,957	(7,116)	105.6	223,548
June 30, 2016	203,044	193,822	9,222	95.5	244,277
June 30, 2017	300,593	294,829	5,764	98.1	334,432

Source: Town of Truckee and CalPERS Actuarial Valuations as of June 30, 2012 through 2017, Miscellaneous Second Tier Plan of the Town of Truckee.

Funding History of the PEPRM Miscellaneous Plan

Valuation Date	Accrued Liability (AL)	Share of Pool's Market Value of Assets (MVA)	Plan's Share of Pool's Unfunded Liability	Funded Ratio	Annual Covered Payroll
June 30, 2013	\$ 637	\$ 855	\$ (218)	134.2%	\$ 96,990
June 30, 2014	55,640	58,369	(2,729)	104.9	577,509
June 30, 2015	172,974	164,579	8,395	95.1	1,090,326
June 30, 2016	397,652	356,885	40,767	89.7	1,191,429
June 30, 2017	736,375	697,762	38,613	94.8	1,819,408

Source: Town of Truckee and CalPERS Actuarial Valuations as of June 30, 2013 through 2017, PEPRM Miscellaneous Plan of the Town of Truckee.

The Safety Plan

Funding History of the Safety Plan

Valuation Date	Accrued Liability (AL)	Share of Pool's Market Value of Assets (MVA)	Plan's Share of Pool's Unfunded Liability	Funded Ratio	Annual Covered Payroll
June 30, 2011	\$ 7,588,448	\$ 5,988,631	\$1,599,817	78.9%	\$2,408,479
June 30, 2012	8,600,253	6,342,106	2,258,147	73.7	1,798,049
June 30, 2013	9,310,547	7,217,882	2,092,665	77.5	1,584,864
June 30, 2014	10,894,624	9,043,563	1,851,061	83.0	1,610,246
June 30, 2015	11,661,975	9,322,212	2,339,763	79.9	1,501,062
June 30, 2016	13,067,468	9,828,740	3,238,728	75.2	1,640,251
June 30, 2017	14,322,732	11,037,042	3,285,690	77.1	1,552,862

Source: Town of Truckee and CalPERS Actuarial Valuations as of June 30, 2011 through 2017, Safety Plan of the Town of Truckee.

Funding History of the Safety Plan – Tier 2

Valuation Date	Accrued Liability (AL)	Share of Pool's Market Value of Assets (MVA)	Plan's Share of Pool's Unfunded Liability	Funded Ratio	Annual Covered Payroll
June 30, 2012	\$ 1,353	\$ 1,026	\$ 327	75.8%	\$146,152
June 30, 2013	89,774	72,347	17,427	80.6	347,910
June 30, 2014	210,514	219,228	(8,714)	104.1	460,334
June 30, 2015	338,164	346,517	(8,353)	102.5	476,570
June 30, 2016	508,756	475,308	33,448	93.4	520,760
June 30, 2017	896,494	867,616	28,878	96.8	640,153

Source: Town of Truckee and CalPERS Actuarial Valuations as of June 30, 2012 through 2017, Safety Second Tier Plan of the Town of Truckee.

Funding History of the PEPRA Safety Plan

Valuation Date	Accrued Liability (AL)	Share of Pool's Market Value of Assets (MVA)	Plan's Share of Pool's Unfunded Liability	Funded Ratio	Annual Covered Payroll
June 30, 2013	\$ 879	\$ 1,290	\$ (411)	146.8%	\$144,999
June 30, 2014	48,064	50,586	(2,522)	105.3	250,514
June 30, 2015	106,064	100,654	5,410	94.9	238,165
June 30, 2016	177,227	156,315	20,912	88.2	260,249
June 30, 2017	110,508	86,546	23,962	78.3	307,506

Source: Town of Truckee and CalPERS Actuarial Valuations as of June 30, 2013 through 2017, PEPRA Safety Plan of the Town of Truckee.

Reporting obligations under Governmental Accounting Standards Board Statement No. 68 (GASB 68) (including as amended by Statement No. 71, "GASB 68") commenced with financial statements for the Fiscal Year ended June 30, 2015. The Town implemented this Statement in the Fiscal Year ended June 30, 2015. Under GASB 68, an employer reports the net pension liability, pension expense and deferred outflows/deferred inflows of resources related to pensions in its financial statements as part of its financial position.

Discount Rate and Certain CalPERS Actuarial Assumptions. The CalPERS actuary uses a smoothing technique to determine Actuarial Value that is calculated based on certain policies. As described below, these policies and actuarial assumptions have changed significantly in recent years and are expected to change or be modified further by CalPERS in the future. Certain significant recent changes in assumptions include the following:

1. On March 14, 2012, the CalPERS Board approved a change in the inflation assumption used in the actuarial assumptions used to determine employer contribution rates. This reduced the assumed investment return from 7.75% to 7.50%, reduced the long-term payroll growth assumption from 3.25% to 3.0%, and adjusted the inflation component of individual salary scales from 3.25% to a merit scale varying by duration of employment, an assumed annual inflation component of 3% and an annual production growth of 0.25%. Although the full impact of such changes is not yet clear, CalPERS has estimated that they could result in net increases in future contribution levels of approximately 1% to 2%.

2. On April 17, 2013, the CalPERS Board of Administration approved a plan: (i) to replace the 15-year asset-smoothing policy with a 5-year direct-rate smoothing process; and (ii) to replace the 30-year rolling amortization of unfunded liabilities with a 30-year fixed amortization period. CalPERS' Chief Actuary stated that the revised approach provides a single measure of funded status and unfunded liabilities, less rate volatility in extreme years, a faster path to full funding and more transparency to employers such as the Town about future contribution rates. These changes are expected to accelerate the repayment of unfunded liabilities (including CalPERS' Fiscal Year 2009 market losses) of the Town's plans in the near term. These changes are reflected beginning with the June 30, 2014 actuarial valuation affecting contribution rate for Fiscal Year 2015-16 and thereafter.

3. On February 19, 2014, the CalPERS Board approved changes to actuarial assumptions and methods based upon a recently completed experience study. These changes included: moving from using smoothing of the market value of assets to obtain the actuarial value of assets to direct smoothing of employer contribution rates; increased life expectancy; changes to retirement ages (earlier for some groups and later for others); lower rates of disability retirements; and other changes.

4. On December 21, 2016, the CalPERS Board of Administration approved an incremental lowering of the discount rate from 7.5% to 7.0% over the next three Fiscal Years. For Fiscal Years 2017-18, 2018-19 and 2019-20, the Board of Administration approved discount rates of 7.375%, 7.25% and 7.0%, respectively. While the full impact of the discount rate changes on the Town is not yet clear, CalPERS expects such changes to increase average employer rates by approximately 1% to 3% of normal cost as a percent of payroll for most miscellaneous retirement plans and by approximately 2% to 5% of payroll for most safety plans. CalPERS also expects the discount rate changes to result in increased unfunded accrued liability payments for employers, and estimates that many employers will see such payments increase by 30% to 40%.

5. Information regarding CalPERS' administration of the plans, actuarial methods, assumptions and asset valuation can be obtained from CalPERS at Lincoln Plaza North, 400 Q Street, Sacramento, California 95811 or (888) 225-7377. The comprehensive annual financial reports of CalPERS are available on CalPERS' website at www.calpers.ca.gov. *The website reference is for informational purposes only. None of the content of the website is any way incorporated in this Official Statement. The City makes no representation concerning, and does not take any responsibility for the accuracy or timeliness of information posted on such website or the continued maintenance of such website.*

See Note 4 in APPENDIX A – “TRUCKEE AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2018.”

Other Post-Employment Benefits

Governmental Accounting Standards Board Statement No. 45 (“GASB 45”) requires that non-pension, post-employment benefits for retirees, such as postretirement health care benefits, be shown as an accrued actuarial liability in the audit, similar to the current treatment of pension benefits. GASB 45 requires only the identification and disclosure of the Town’s unfunded accrued actuarial liability and funding status; it does not require the Town or any other affected public agency to fully fund such liability. The Town included post-retirement benefits as of January 1, 2012. Beginning in Fiscal Year 2016-17, the Town implemented Governmental Accounting Standards Board Statement No. 75 (“GASB 75”) which replaced GASB 45 as the accounting standard for Other Post-Employment Benefit (“OPEB”) Plans. Funding progress for the Town’s OPEB as measured under GASB 45 and GASB 75, respectively, is set forth in the tables below.

Funding Progress of Other Post-Employment Benefits for Fiscal Years ending June 30, 2011, 2013 and 2015

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities	Unfunded Liability	Funded Percentage	Annual Covered Payroll	UAAL as a % of Covered Payroll
June 30, 2011	-	\$ 324,371	\$324,371	0%	\$7,491,719	4%
June 30, 2013	\$193,783	496,121	302,338	39	7,111,919	4
June 30, 2015	349,473	1,006,345	656,872	35	7,468,549	9

Source: Town of Truckee.

Funding Progress of Other Post-Employment Benefits for Fiscal Years ending June 30, 2017 and 2018

Actuarial Valuation Date	Actuarial Value of Assets	Total OPEB Liability	Net OPEB Liability	Funded Percentage	Annual Covered Payroll	Net OPEB Liability as a % of Covered Payroll
June 30, 2016	436,451	\$1,004,336	\$567,885	43%	\$8,412,178	6.8%
June 30, 2017	575,706	1,123,321	547,615	51	8,803,289	6.2

Source: Town of Truckee.

Deferred Compensation

Town employees may defer a portion of their compensation under a Town sponsored deferred compensation plan created in accordance with Internal Revenue Code Section 457. Under this plan, participants are not taxed on the deferred portion of their compensation until it is distributed to them. Distributions may be made only at termination of employment, retirement, death, or in an emergency as defined by the Plan. In accordance with GASB Statement No. 32, the Town has adopted plan revisions that no longer make the funds available to the Town’s general creditors and, accordingly, the Town no longer reports the assets in the financial statements.

Labor Relations

As of June 30, 2018, the Town had approximately 104 full-time and 32 part-time employees.

A substantial number of Town employees are organized into bargaining units which negotiate with the Town to provide pay and a variety of benefits for their members. These bargaining units have agreements which are periodically renegotiated and include the following as of June 30, 2018:

**TABLE 8
TOWN OF TRUCKEE
Bargaining Units**

Bargaining Agent	Number of Members	Contract Termination Date
General Employees' Membership	58	June 30, 2023
Truckee Police Officers' Association	19	June 30, 2021
Mid-Management Employees Group	20	June 30, 2023

Source: Town of Truckee.

Pursuant to these bargaining agreements, employee compensation changes are tied to year to year general fund revenue changes. This relationship is built into the bargaining agreements and ensures that annual compensation changes do not exceed available revenues.

Litigation

There are no significant lawsuits or claims pending against the Town.

Investments and Investment Policy

The Town pools cash from all sources and all funds except Cash with fiscal agents so that it can be invested at the maximum yield, consistent with safety and liquidity, while individual funds can make expenditures at any time. The Town mitigates market risk by providing adequate liquidity for short-term cash needs, and by making some longer-term investments only with funds that are not needed for current cash flow purposes. Assets managed by Chandler Asset Management are in full compliance with State law and the Town's investment policy. In addition, pursuant to Section 53600.3 of the Government Code of the State, all persons authorized to make investment decisions on behalf of the Town are trustees and, therefore, fiduciaries subject to the "prudent investor" standard.

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As of March 31, 2019, the Town’s investment portfolio displayed the following:

TABLE 9
TREASURER’S INVESTMENT PORTFOLIO REPORT
For the Quarter Ending June 30, 2019

Description	Interest/Yield to		
	Balance	Maturity	% of Portfolio
Cash – Wells Fargo, Petty Cash	\$ 1,941,108	0.00%	2.6%
Savings – Wells Fargo	128,995	0.10	0.2
State of California LAIF	47,780,149	2.44	63.6
Investments – Chandler Asset Management	23,706,233	2.09	31.6
Trustee Bond Funds – General Fund	330,066		0.4
Trustee Bond Funds – Successor Agency Funds	1,245,567		1.7
Total Cash and Investments*	\$75,132,118	2.21%	

* Totals may not add up due to rounding.
Source: Town of Truckee.

CONSTITUTIONAL AND STATUTORY LIMITS ON TAXES AND APPROPRIATIONS

Article XIII A of the State Constitution

On June 6, 1978, California voters approved an amendment (commonly known as both Proposition 13 and the Jarvis-Gann Initiative) to the State Constitution. This amendment, which added Article XIII A to the State Constitution, among other things affects the valuation of real property for the purpose of taxation in that it defines the full cash property value to mean “the county assessor’s valuation of real property as shown on the 1975/76 tax bill under “full cash value,” or thereafter, the appraised value of real property newly constructed, or when a change in ownership has occurred after the 1975 assessment.” The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or a reduction in the consumer price index or comparable local data at a rate not to exceed 2% per year, or reduced in the event of declining property value caused by damage, destruction or other factors including a general economic downturn. The amendment further limits the amount of any *ad valorem* tax on real property to one percent of the full cash value except that additional taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978, and bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978 by two-thirds of the votes cast by the voters voting on the proposition.

Legislation enacted by the State Legislature to implement Article XIII A provides that all taxable property is shown at full assessed value as described above. In conformity with this procedure, all taxable property value included in this Official Statement (except as noted) is shown at 100% of assessed value and all general tax rates reflect the \$1 per \$100 of taxable value. Tax rates for voter-approved bonded indebtedness and pension liability are also applied to 100% of assessed value.

Future assessed valuation growth allowed under Article XIII A (new construction, change of ownership, 2% annual value growth) will be allocated on the basis of “sites” among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and school districts will share the growth of “base” revenue from the tax rate area. Each year’s growth allocation becomes part of each agency’s allocation the following year. The Town is unable to predict the nature or magnitude of future revenue sources which may be provided by the State to replace lost property tax revenues. Article XIII A

effectively prohibits the levying of any other *ad valorem* property tax above the 1% limit except for taxes to support indebtedness approved by the voters as described above.

Article XIII B of the State Constitution

On November 6, 1979, California voters approved Proposition 4, the Gann Initiative, which added Article XIII B to the State Constitution. In June 1990, Article XIII B was amended by the voters through their approval of Proposition 111. Article XIII B of the State Constitution limits the annual appropriations of the State and any city, county, school district, authority or other political subdivision of the State to the level of appropriations for the prior Fiscal Year, as adjusted annually for changes in the cost of living, population and services rendered by the governmental entity. The “base year” for establishing such appropriation limit is the 1978-79 Fiscal Year. Increases in appropriations by a governmental entity are also permitted (i) if financial responsibility for providing services is transferred to the governmental entity, or (ii) for emergencies so long as the appropriations limits for the three years following the emergency are reduced to prevent any aggregate increase above the Constitutional limit. Decreases are required where responsibility for providing services is transferred from the government entity.

Appropriations subject to Article XIII B include generally any authorization to expend during the Fiscal Year the proceeds of taxes levied by the State or other entity of local government, exclusive of certain State subventions, refunds of taxes, benefit payments from retirement, unemployment insurance and disability insurance funds. Appropriations subject to limitation pursuant to Article XIII B do not include debt service on indebtedness existing or legally authorized as of January 1, 1979, on bonded indebtedness thereafter approved according to law by a vote of the electors of the issuing entity voting in an election for such purpose, appropriations required to comply with mandates of courts or the Federal government, appropriations for qualified outlay projects, and appropriations by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990 levels. “Proceeds of taxes” include, but are not limited to, all tax revenues and the proceeds to any entity of government from (i) regulatory licenses, user charges, and user fees to the extent such proceeds exceed the cost of providing the service or regulation, (ii) the investment of tax revenues and (iii) certain State subventions received by local governments. As amended by Proposition 111, the appropriations limit is tested over consecutive two-year periods. Any excess of the aggregate “proceeds of taxes” received by the Town over such two-year period above the combined appropriations limits for those two years is to be returned to taxpayers by reductions in tax rates or fee schedules over the subsequent two years.

As amended in June 1990, the appropriations limit for the Town in each year is based on the limit for the prior year, adjusted annually for changes in the costs of living and changes in population, and adjusted, where applicable, for transfer of financial responsibility of providing services to or from another unit of government. The change in the cost of living is, at the Town’s option, either (i) the percentage change in California per capita personal income, or (ii) the percentage change in the local assessment roll for the jurisdiction due to the addition of nonresidential new construction. The measurement of change in population is a blended average of statewide overall population growth, and change in attendance at local school and community college (“K-14”) districts.

Article XIII B permits any government entity to change the appropriations limit by vote of the electorate in conformity with statutory and Constitutional voting requirements, but any such voter-approved change can only be effective for a maximum of four years.

The Town’s appropriations limit for the 2017-18 Fiscal Year was \$18,173,038, and the amount subject to the limitation was \$13,234,064. The Town’s appropriations limit for the 2018-19 Fiscal Year is \$18,986,940, and the amount subject to the limitation is \$13,909,340.

Right to Vote on Taxes Initiative – Proposition 218

On November 5, 1996, the voters of the State approved Proposition 218 – the “Right to Vote on Taxes Act.” Proposition 218 added Articles XIII C and XIII D to the State Constitution, which affect the ability of local governments, including cities, to impose new, or increase or extend existing, taxes, assessments, fees and charges. Proposition 218 became effective on November 6, 1996, although application of some of its provisions was deferred until July 1, 1997.

Article XIII C requires that all new local taxes be submitted to the electorate for approval before such taxes become effective. General taxes imposed for general governmental purposes of the Town require a majority vote and special taxes imposed for specific purposes (even if deposited in the general fund) require a two-thirds vote. The voter approval requirements of Article XIII C reduce the flexibility of local governments to deal with fiscal problems by raising revenue through new, extended or increased taxes. No assurance can be given that the Town will be able to raise taxes in the future to meet increased expenditure requirements.

Under Proposition 218, the Town can only continue to collect taxes that were imposed after January 1, 1995 if they were approved by voters by November 6, 1998. Any tax levied by the Town subject to such approval has been either authorized in accordance with Proposition 218 or discontinued.

Among other things, Section 3 of Article XIII C states that “. . . the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge.” Absent the application of other legal authority, Section 3 of Article XIII C could result in a local initiative measure to retroactively reduce or repeal the Assessment.

Such initiative power could be subject to the limitations imposed on the impairment of contracts under the contract clause of the United States Constitution. Additionally, the Proposition 218 Omnibus Implementation Act enacted in 1997 to prescribe specific procedures and parameters for local jurisdictions in complying with Article XIII C and Article XIII D (“SB 919”) provides that the initiative power provided for in Proposition 218 “shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after (the effective date of Proposition 218) assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights” protected by the United States Constitution. However, no assurance can be given that the voters within the Town will not, in the future, approve an initiative that reduces or repeals local taxes, assessments, fees or charges or what limitations, if any, future court decisions may place on the initiative power granted under Article XIII C.

The Town raises a portion of its revenues from various local taxes which could be reduced by initiative under Article XIII C. “Assessment,” “fee” and “charge” are not defined in Article XIII C and it is not clear whether the definitions of these terms in Article XIII D (which are generally property-related, as described below) would be applied to Article XIII C. However, on July 24, 2006, the State Supreme Court ruled in *Bighorn-Desert View Water Agency v. Virjil (Kelley)* that charges for ongoing water delivery are property related fees and charges within the meaning of Article XIII D and are also fees or charges within the meaning of Section 3 of Article XIII C.

With respect to general obligation bonds that may be issued (but none are currently issued) by the Town, the State Constitution and the laws of the State impose a duty on the County Board of Supervisors to levy a property tax sufficient to pay debt service coming due in each year; the initiative power cannot be used to reduce or repeal the authority and obligation to levy such taxes which are pledged as security for payment of general obligation bonds or to otherwise interfere with performance of the duty of the Town with respect to such taxes which are pledged as security for payment of those bonds.

Article XIII D contains several provisions making it generally more difficult for local agencies, such as the Town, to levy and maintain “assessments” for local services and programs. “Assessment” is defined to mean any levy or charge upon real property for a special benefit conferred upon real property, and expressly includes standby charges. Article XIII D also includes new provisions affecting “fees” and “charges,” defined for purposes of Article XIII D to mean “any levy other than an *ad valorem* tax, a special tax, or an assessment, imposed by a county upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property related service.” All new and existing property related fees and charges must conform to specific requirements and prohibitions set forth in Article XIII D. Further, before any property related fee or charge may be imposed or increased, written notice must be given to the record owner of each parcel of land affected by such fee or charge. The Town must then hold a hearing upon the proposed imposition or increase, and if written protests against the proposal are presented by a majority of the owners of the identified parcels, the Town may not impose or increase the fee or charge. Moreover, except for fees or charges for sewer, water and refuse collection services (or fees for electrical and gas service, which are not treated as “property related” for purposes of Article XIII D), no property related fee or charge may be imposed or increased without majority approval by the property owners subject to the fee or charge, or, at the option of the local agency, two-thirds voter approval by the electorate residing in the affected area.

The Town cannot predict the future impact of Proposition 218 on the finances of the Town, and no assurance can be given that Proposition 218 will not have a material adverse impact on the Town’s revenues. The interpretation and application of Proposition 218 will ultimately be determined by the courts with respect to a number of the matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determination.

Proposition 1A

Proposition 1A, proposed by the State Legislature in connection with the 2004-05 Budget Act, approved by the voters in November 2004 and generally effective in Fiscal Year 2006-07, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any Fiscal Year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the Legislature. Proposition 1A provides, however, that beginning in Fiscal Year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also provides that if the State reduces the vehicle license fee rate currently in effect, 0.65 percent of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State, beginning July 1, 2005, to suspend State mandates affecting cities, counties and special districts, excepting mandates relating to employee rights, schools or community colleges, in any year that the State does not fully reimburse local governments for their costs to comply with such mandates.

Proposition 1A may result in increased and more stable Town revenues. The magnitude of such increase and stability is unknown and would depend on future actions by the State. However, Proposition 1A could also result in decreased resources being available for State programs. This reduction, in turn, could affect actions taken by the State to resolve budget difficulties. Such actions could include

increasing State taxes, decreasing spending on other State programs or other action, some of which could be adverse to the finances of the Town.

Proposition 22

In November 2010, California voters adopted Proposition 22 (“Proposition 22”), which prohibits the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services and prohibits fuel tax revenues from being loaned for cash-flow or budget balancing purposes to the State General Fund or any other State fund. The Town is unable to predict how Proposition 22 will be interpreted, or to what extent the measure will affect the revenues in the general fund of local agencies, although it could eventually provide greater stability in local agency revenues.

Proposition 26

On November 2, 2010, the voters of the State approved Proposition 26 (“Proposition 26”), which revises certain provisions of Articles XIII A and XIII C of the State Constitution. Proposition 26 re-categorizes many State and local fees as taxes, requires local governments to obtain two-thirds voter approval for taxes levied by local governments, and requires the State to obtain the approval of two-thirds of both houses of the State Legislature to approve State laws that increase taxes. Furthermore, pursuant to Proposition 26, any increase in a fee beyond the amount needed to provide the specific service or benefit is deemed to be a tax and the approval thereof will require a two-thirds vote. In addition, for State-imposed charges, any tax or fee adopted after January 1, 2010, with a majority vote which would have required a two-thirds vote if Proposition 26 were effective at the time of such adoption is repealed as of November 2011 absent the re-adoption by the requisite two-thirds vote.

Proposition 26 amends Article XIII C of the State Constitution to state that a “tax” means a levy, charge or exaction of any kind imposed by a local government, except: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government as a result of a violation of law, including late payment fees, fees imposed under administrative citation ordinances, parking violations, etc.; (6) a charge imposed as a condition of property development; or (7) assessments and property related fees imposed in accordance with the provisions of Article XIII D. Fees, charges and payments that are made pursuant to a voluntary contract that are not “imposed by a local government” are not considered taxes and are not covered by Proposition 26.

Proposition 26 applies to any levy, charge or exaction imposed, increased, or extended by local government on or after November 3, 2010. Accordingly, fees adopted prior to that date are not subject to the measure until they are increased or extended or if it is determined that an exemption applies.

If the local government specifies how the funds from a proposed local tax are to be used, the approval will be subject to a two-thirds voter requirement. If the local government does not specify how the funds from a proposed local tax are to be used, the approval will be subject to a 50% voter

requirement. Proposed local government fees that are not subject to Proposition 26 are subject to the approval of a majority of the governing body. In general, proposed property charges will be subject to a majority vote of approval by the governing body although certain proposed property charges will also require approval by a majority of property owners.

Proposition 62

A statutory initiative (“Proposition 62”) was adopted by the voters of the State at the November 4, 1986 General Election which (a) requires that any tax for general governmental purposes imposed by local governmental entities be approved by resolution or ordinance adopted by two-thirds vote of the governmental agency’s legislative body and by a majority of the electorate of the governmental entity, (b) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters within the jurisdiction, (c) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax is imposed, (d) prohibits the imposition of *ad valorem* taxes on real property by local governmental entities except as permitted by Article XIII A, (e) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities and (f) requires that any tax imposed by a local governmental entity on or after August 1, 1985 be ratified by a majority vote of the electorate within two years of the adoption of the initiative or be terminated by November 15, 1988. The requirements imposed by Proposition 62 were upheld by the State Supreme Court in *Santa Clara County Local Transportation Authority v. Guardino*.

Proposition 62 applies to the imposition of any taxes or the effecting of any tax increases after its enactment in 1986, but the requirements of Proposition 62 are subsumed by the requirements of Proposition 218 for the imposition of any taxes or the effecting of any tax increases after November 5, 1996. See “– Right to Vote on Taxes Initiative – Proposition 218” above.

Future Initiatives

Article XIII A, Article XIII B, Proposition 1A and Proposition 218 were each adopted as measures that qualified for the ballot pursuant to the State’s initiative process. From time to time, other initiative measures could be adopted, which may place further limitations on the ability of the State, the County, the Town or local districts to increase revenues or to increase appropriations which may affect the Town’s revenues or its ability to expend its revenues.

RISK FACTORS

The following factors, along with the other information in this Official Statement, should be considered by potential investors in evaluating purchase of the Series 2019 Bonds. However, they do not purport to be an exhaustive listing of risks and other considerations which may be relevant to an investment in the Series 2019 Bonds. In addition, the order in which the following factors are presented is not intended to reflect the relative importance of any such risks.

Base Rental Payments Not a Debt of the Town

The Base Rental Payments are not secured by any pledge of or lien on taxes or other revenue of the Town, but are payable from all funds lawfully available to the Town. The Town has the capacity to enter into other obligations which may constitute additional charges against its revenues. In the event the Town’s revenue sources are less than its total obligations, the Town could choose to fund other obligations before making Base Rental Payments. The same result could occur if, because of State

constitutional limits on expenditures, the Town is not permitted to appropriate and spend all of its available revenues.

The obligation of the Town to pay the Base Rental Payments does not constitute an obligation of the Town for which the Town is obligated to levy or pledge any form of taxation or for which the Town has levied or pledged any form of taxation. The obligation of the Town to pay Base Rental Payments and additional payments does not constitute a debt of the Town, or the State or any of its political subdivisions, and does not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.

Although the Lease does not create a pledge, lien or encumbrance upon the funds of the Town, the Town is obligated under the Lease to make Base Rental Payments from any source of legally available funds (subject to certain exceptions), and the Town has covenanted in the Lease to take such action as may be necessary to include all Base Rental Payments in its annual budgets and annually to appropriate amounts necessary to make such Base Rental Payments. The Base Rental Payments and any other payments due under the Lease are payable from the Town's general revenues; the Town is currently liable for other obligations payable from general revenues. See "TOWN FINANCIAL INFORMATION" herein and APPENDIX A – "TRUCKEE AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2018."

Abatement

The Lease provides that Base Rental Payments shall be abated during any period in which, by reason of damage or destruction to the Leased Property, or a temporary or partial taking of the Leased Property by eminent domain or the threat thereof, there is substantial interference with the beneficial use and occupancy by the Town of the Leased Property or any portion thereof, in the proportion in which the initial cost of that portion of the Leased Property rendered unusable bears to the initial cost of the whole of the Leased Property. Such abatement shall continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction or the termination of such temporary taking. In the event of any partial damage or destruction or taking, the Lease shall continue in full force and effect and the Town waives any right to terminate the Lease by virtue of any such damage or destruction or taking. If moneys in the Revenue Fund and the Reserve Fund are insufficient to pay all principal of and interest on the Series 2019 Bonds during the period of repair or reconstruction, or during eminent domain proceedings, the Town will have no obligation to make payments to cover such deficiency and no remedy for nonpayment will be available to the Trustee or the Owners against the Town under the Lease or the Trust Agreement. Abatement of Base Rental Payments is not an event of default under the Lease and does not permit the Trustee to take any action or avail itself of any remedy against the Town. See APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS."

Rental Interruption Insurance

Under the Lease, the Town has covenanted to obtain and maintain rental interruption or use and occupancy insurance to cover loss, total or partial, of the use of any part of the Leased Property during the term of the Lease as a result of any of the hazards covered in the fire and extended coverage insurance required under the Lease in an amount at least equal to the maximum Base Rental Payments for any future 24-month period. See APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS – Facility Lease – Insurance."

Limited Recourse on Default

If the Town defaults on its obligations to make Base Rental Payments with respect to the Leased Property, the Trustee, as assignee of the Authority, may (subject to the restrictions described below) retain the Lease and hold the Town liable for all Base Rental Payments on an annual basis and will have the right to re-enter and re-let the Leased Property. In the event such re-letting occurs, the Town would be liable for any resulting deficiency in Base Rental Payments. Alternatively, the Trustee may terminate the Lease with respect to the Leased Property and proceed against the Town to recover damages pursuant to the Lease. The Trustee may not sell or foreclose the Leased Property to obtain money for payment of the principal of or interest on the Series 2019 Bonds in the event of a default.

Due to the specialized nature of the Leased Property, no assurance can be given that the Trustee will be able to re-let any portion of the Leased Property so as to provide rental income sufficient to make principal and interest payments with respect to the Series 2019 Bonds in a timely manner, and the Trustee is not empowered to sell the Leased Property for the benefit of the Owners of the Series 2019 Bonds. In addition, due to the governmental function of the Leased Property, it is not certain whether a court would permit the exercise of the remedies of repossession and re-letting with respect thereto. Any suit for money damages would be subject to limitations on legal remedies against public agencies in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest.

No Acceleration Upon Default

If the Town defaults on its obligations to make Base Rental Payments, the Trustee may have limited ability to re-let the Leased Property so as to preserve the tax-exempt nature of the interest on the Series 2019 Bonds. In the event of default, there is no remedy of acceleration of any Base Rental Payments which have not come due and payable in accordance with the Lease. The Town will continue to be liable for lease payments as they become due and payable in accordance with the Lease if the Trustee does not terminate the Lease, and the Trustee is required to seek a separate judgment each year for that year's defaulted Base Rental Payments. Any such suit for money damages would be subject to limitations on legal remedies against cities in California, including a limitation on enforcement of judgments against funds or property needed to serve the public welfare and interest.

No Liability of Authority to the Owners

Except as expressly provided in the Trust Agreement, the Authority shall not have any obligation or liability to the Owners of the Series 2019 Bonds with respect to the payment when due of the Base Rental Payments by the Town, or with respect to the performance by the Town of other agreements and covenants required to be performed by it contained in the Lease or the Trust Agreement, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Trust Agreement.

No Tax Pledge

The obligation of the Town to pay the Base Rental Payments does not constitute an obligation of the Town for which the Town is obligated to levy or pledge any form of taxation or for which the Town has levied or pledged any form of taxation. The obligation of the Town to pay Base Rental Payments does not constitute a debt or indebtedness of the Town, the Authority, the State or any of its political subdivisions, within the meaning of any constitutional or statutory debt limitation or restriction.

No Limit on Additional General Fund Obligations

The Lease does not prohibit Town from incurring additional obligations payable from general fund revenues on a parity with the Base Rental Payments. To the extent that additional obligations are incurred by Town, the funds available to make Base Rental Payments may be decreased.

Limitation on Enforcement of Remedies

The enforcement of any remedies provided in the Lease and Trust Agreement could prove both expensive and time consuming. Although the Lease provides that the Authority may take possession of the Leased Property then subject to the Lease and lease such property if there is a default by the Town and the Lease further provides that the Authority may have such rights of access to the Leased Property as may be necessary to exercise any remedies, portions of such Leased Property may not be easily recoverable since they may be affixed to property not owned by the Authority and even if recovered, could be of little value to others. Furthermore, due to the essential nature of the governmental functions of the Leased Property, it is uncertain whether a court would permit the exercise of the remedies of repossession and leasing with respect thereto. See “PLAN OF FINANCE AND THE LEASED PROPERTY.”

In the event of a default under the Lease, there is no available remedy of acceleration of the total Base Rental Payments due over the term of the Lease. The Town will only be liable for Base Rental Payments on an annual basis as they come due, and the Trustee would be required to seek separate judgments for the annual Base Rental Payments. In addition, any such suit for money damages could be subject to limitations on legal remedies against public agencies in California, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest.

Bankruptcy

In addition to the limitations on remedies contained in the Lease and the Trust Agreement, the rights and remedies provided in the Lease and the Trust Agreement may be limited by and are subject to provisions of federal bankruptcy laws, as now or hereafter enacted, and to other laws or equitable principles that may affect the enforcement of creditors’ rights.

Changes in Law

There can be no assurance that the California electorate will not at some future time adopt initiatives or that the Legislature will not enact legislation that will amend the laws or the Constitution of the State resulting in a reduction of the funds legally available to the Town to make Base Rental Payments, and consequently, having an adverse effect on the source of payment for the Series 2019 Bonds.

Earthquakes and Natural Disasters

The Town is not obligated under the Lease to maintain earthquake or flood insurance on the Leased Property. In the event of damage or destruction to the Leased Property caused by perils for which the Town is not required to provide insurance under the Lease, the Town will not be obligated to repair, replace or reconstruct the Leased Property or to make Base Rental Payments with respect to any damaged portion of the Leased Property. See APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS.”

In recent years, portions of the State, including the County and adjacent counties, have experienced wildfires that have burned thousands of acres and destroyed thousands of homes and structures. In several instances, such wildfires in Northern California have prompted the Governor to declare a state of emergency. Thus far, no parcels of property within the Town or Town facilities have been damaged or destroyed by wildfires. However, property damage due to wildfire could result in a significant decrease in the assessed value of property in the Town, and necessitate a corresponding increase in the annual tax rate. The Town is required to procure or cause to be procured and maintain or cause to be maintained, throughout the term of the Lease insurance against loss or damage to any structures constituting any part of the Leased Property by, among other things, fire with extended coverage. Such insurance will be in an amount equal to the replacement cost (without deduction for depreciation) of all structures constituting any part of the Leased Property, or, in the alternative, shall be in an amount and in a form sufficient, in the event of total or partial loss, to enable a portion of all Bonds then Outstanding equal to the amount of such Bonds to be paid from Base Rental Payments to be redeemed.

Risks Involving State Budget and Legislation

The State has in prior years experienced budgetary difficulties and has balanced its budget by requiring local political subdivisions to fund certain costs theretofore borne by the State. See “TOWN FINANCIAL INFORMATION – State Budget.” In addition, a number of statutes and constitutional amendments have been adopted as measures that qualified for the ballot through California’s initiative process as described under “CONSTITUTIONAL AND STATUTORY LIMITS ON TAXES AND APPROPRIATIONS.” There can be no assurance that other initiative measures will not be adopted affecting the Town’s revenues.

Hazardous Substances

The Town knows of no existing hazardous substances which require remedial action on or near the Leased Property. However, it is possible that such substances do currently or potentially exist and that the Town is not aware of them. There are numerous laws which regulate the use or release of hazardous substances and the liability of an owner of property for any contamination. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as “CERCLA” or the “Superfund Act,” is the most well-known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substance condition of property whether or not the owner (or operator) has anything to do with creating or handling the hazardous substance. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. All of these possibilities could significantly and adversely affect the operations and finances of the Town and/or the value of the Leased Property. The Town does not currently carry insurance covering the risks of hazardous substances.

Investment of Funds

The Reserve Fund and all other funds held under the Trust Agreement are required to be invested in Permitted Investments as provided under the Trust Agreement. See APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS – Certain Definitions” for a summary of the definition of Permitted Investments. All investments, including the Permitted Investments and those authorized by law from time to time for investments by municipalities, contain a certain degree of risk. Such risks include, but are not limited to, a lower rate of return than expected, decline in market value and loss or delayed receipt of principal. The occurrence of these events with respect to amounts held under the Trust Agreement or the funds and accounts held by the Town could

have a material adverse effect on the source of payment for the Series 2019 Bonds and/or the financial condition of the Town.

MUNICIPAL ADVISOR

The Authority has retained JNA Consulting Group, LLC, Boulder City, Nevada, as Municipal Advisor (the “Municipal Advisor”) in connection with the authorization and delivery of the Series 2019 Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in the Official Statement. Compensation paid to the Municipal Advisor is conditioned on the successful issuance of the Series 2019 Bonds.

The Municipal Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal or other public securities.

CONTINUING DISCLOSURE

The Town has covenanted for the benefit of owners of the Series 2019 Bonds to provide certain financial information and operating data relating to the Town by not later than nine months after the end of the Town’s Fiscal Year (which is currently June 30) in each year commencing with the report for the 2018-19 Fiscal Year (the “Annual Report”) and to provide notices of the occurrence of certain enumerated events. The Annual Report and notices of specified events will all be filed with the Municipal Securities Rulemaking Board. These covenants have been made in order to assist the Underwriter in complying with Securities Exchange Commission Rule 15c2-12(b)(5) (the “Rule”). The specific nature of the information to be contained in the Annual Report or the notices of specified events by the Town is set forth in APPENDIX E – “FORM OF CONTINUING DISCLOSURE AGREEMENT.”

A review of compliance with previous continuing disclosure undertakings for the previous five years was conducted and the Town believes it has not failed to materially comply with its undertakings under the Rule.

SALE OF THE BONDS

The Series 2019 Bonds were sold at a competitive sale on _____, 2019, as provided in the Official Notice of Sale, dated _____, 2019 (the “Official Notice of Sale”). The Series 2019 Bonds were awarded to _____ (the “Underwriter”) at a purchase price of \$_____ (consisting of the principal amount of the Series 2019 Bonds, [plus/less] [net] original issue [premium/discount] of \$_____ and less an underwriter’s discount of \$_____). The Official Notice of Sale provided that all Series 2019 Bonds would be purchased if any were purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Official Notice of Sale, the approval of certain legal matters by Bond Counsel and certain other conditions. The Underwriter has represented to the Authority that the Series 2019 Bonds have been reoffered to the public at the prices or yields stated on the inside cover page hereof.

RATING

S&P Global Ratings (a Division of The McGraw Hill Companies) (“S&P”) has assigned a municipal bond rating of “AA+” to the Series 2019 Bonds. Certain information not included in this Official Statement was supplied by the Town to S&P to be considered in evaluating the Series 2019 Bonds. The rating reflects only the views of S&P, and any explanation of the significance of any rating may be obtained only from S&P at www.standardandpoors.com. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision. No

assurance can be given that any rating issued by a rating agency will be retained for any given period of time or that the same will not be revised or withdrawn entirely by such rating agency, if in its judgment circumstances so warrant. Any such revision or withdrawal of the rating obtained may have an adverse effect on the market price of the Series 2019 Bonds. The Town undertakes no responsibility to oppose any such downward revision, suspension or withdrawal.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2019 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”) and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Series 2019 Bonds is not a specific preference item for purposes of the federal alternative minimum tax. A complete copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX D hereto.

To the extent the issue price of any maturity of the Series 2019 Bonds is less than the amount to be paid at maturity of such Series 2019 Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2019 Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each beneficial owner thereof, is treated as interest on the Series 2019 Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Series 2019 Bonds is the first price at which a substantial amount of such maturity of the Series 2019 Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Series 2019 Bonds accrues daily over the term to maturity of such Series 2019 Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Series 2019 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2019 Bonds. Beneficial owners of the Series 2019 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2019 Bonds with original issue discount, including the treatment of beneficial owners who do not purchase such Series 2019 Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2019 Bonds is sold to the public.

Series 2019 Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium Bonds”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a beneficial owner’s basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such beneficial owner. Beneficial owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2019 Bonds. The Authority and the Town have made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series 2019 Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with

these covenants may result in interest on the Series 2019 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2019 Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Series 2019 Bonds may adversely affect the value of, or the tax status of interest on, the Series 2019 Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Series 2019 Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Series 2019 Bonds may otherwise affect a beneficial owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the beneficial owner or the beneficial owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2019 Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Series 2019 Bonds. Prospective purchasers of the Series 2019 Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Series 2019 Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Authority or the Town, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Authority and the Town have covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Series 2019 Bonds ends with the issuance of the Series 2019 Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Authority, the Town or the beneficial owners regarding the tax-exempt status of the Series 2019 Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Authority, the Town and their appointed counsel, including the beneficial owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Authority or the Town legitimately disagrees may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2019 Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series 2019 Bonds, and may cause the Authority, the Town or the beneficial owners to incur significant expense.

LEGAL MATTERS

There is no action, suit, or proceeding known by the Authority or the Town to be pending or threatened at the present time restraining or enjoining the delivery of the Series 2019 Bonds or in any way contesting or affecting the validity of the Series 2019 Bonds, the Trust Agreement or any proceedings of the Authority or the Town taken with respect to the execution or delivery thereof.

The validity of the Series 2019 Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority. A complete copy of the proposed form of Bond Counsel opinion is contained in APPENDIX D hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement.

INDEPENDENT ACCOUNTANTS

The financial statements of the Town as of June 30, 2018 for the fiscal year then ended, included as APPENDIX A to this Official Statement, have been audited by Mann, Urrutia, Nelson, CPAs & Associates, LLP, independent accountants, as stated in their report appearing therein. Mann, Urrutia, Nelson, CPAs & Associates, LLP, the Town's independent auditor, has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. Mann, Urrutia, Nelson, CPAs & Associates, LLP also has not performed any procedures relating to this Official Statement.

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MISCELLANEOUS

The purpose of this Official Statement is to supply information to prospective buyers of the Series 2019 Bonds. Quotations from and summaries and explanations of the Series 2019 Bonds and of statutes and other documents contained in this Official Statement do not purport to be complete, and reference should be made to the Series 2019 Bonds and such statutes and other documents for full and complete statements of their provisions.

The preparation and distribution of this Official Statement have been authorized by the Authority and the Town.

TRUCKEE PUBLIC FINANCING AUTHORITY

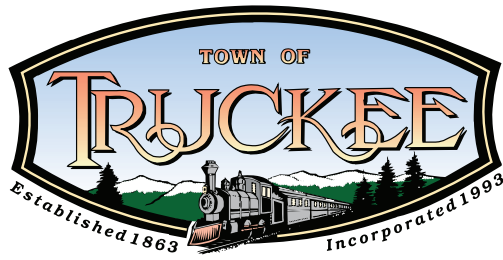
By: _____
Executive Director

TOWN OF TRUCKEE

By: _____
Town Manager

APPENDIX A

**TRUCKEE AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**



TOWN OF TRUCKEE, CALIFORNIA

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2018



The photo on the cover is a screenshot from a video produced using drone equipment, commissioned by the Truckee Police Department for use in recruitment. The video depicts the original Truckee Donner Parks and Recreation Center building, located in historic Downtown Truckee.

TOWN OF TRUCKEE, CALIFORNIA
 ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED JUNE 30, 2018
 TABLE OF CONTENTS

INTRODUCTORY SECTION

List of Officials iii

FINANCIAL SECTION

Independent Auditor’s Report 3

Management’s Discussion and Anaylsis (Required Supplementary Information) 5

Basic Financial Statements 17

Government-Wide Financial Statements

Statement of Net Position 19

Statement of Activities..... 20

Fund Financial Statements

Governmental Funds 24

Balance Sheet 24

Reconciliation of Total Governmental Fund Balances to the Government-Wide
 Statement of Net Position - Governmental Activities 27

Statement of Revenues, Expenditures, and Changes in Fund Balances 28

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
 Balances of Governmental Funds to the Government-Wide Statement of Activities -
 Governmental Activities 31

Proprietary Funds 32

Statement of Net Position 32

Statement of Revenues, Expenses, and Changes in Net Position..... 34

Statement of Cash Flows..... 36

Fiduciary Funds 38

Statement of Net Position 38

Statement of Revenues, Expenses, and Changes in Net Position..... 39

Notes to the Basic Financial Statements

1 Financial Reporting Entity and Summary of Significant Accounting Policies 43

2 Stewardship, Compliance and Accoutability 55

3 Detailed Notes 55

4 Employee’s Retirement Plan..... 62

5 Risk Management..... 73

6 Other Information 73

Basic Financial Statements (continued)

Notes to the Basic Financial Statements (continued)

7 Prior Period Adjustments 74
8 Fiduciary Fund 74

Required Supplementary Information (Other than MD&A) 79

Budgetary Comparison Schedules

Budgetary Comparison Schedule - General Fund 81
Budgetary Comparison Schedule - Measure R Trails Fund - Major Special Revenue Fund 82
Budgetary Comparison Schedule - Traffic Impact Fees Fund - Major Special Revenue Fund 83
Budgetary Comparison Schedule - Measure V Road Maintenance Fund - Major Special Revenue Fund 84
Budgetary Comparison Schedule - Home Grant Fund - Major Special Revenue Fund 85
Budgetary Comparison Schedule - Town Special Service Areas Fund - Major Special Revenue Fund 86

Schedules of Cost Sharing Defined Benefit Pension Plan

Schedules for Cost Sharing Defined Benefit Pension Plan - Town's Proportionate Share of Net Pension Liabilities 89
Schedules for Cost Sharing Defined Benefit Pension Plan - Contributions 90

Schedules of Other Post Employment Benefits (OPEB)

Schedule of Changes in the Net OPEB Liability and Related Ratios 93
Schedule of Actuarially Determined Contributions 94

Notes to the Required Supplementary Information

A Budgetary Basis of Accounting 97
B Excess Expenditures Over Budgetary Appropriations 97
C Changes in Assumptions - Cost Sharing Defined Benefit Pension Plan 97
D Actuarial Assumptions - Other Post Employment Benefits 98

Combining Fund Statements and Schedules 99

Nonmajor Governmental Funds

Combining Balance Sheet 103
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances.. 104
 Special Revenue Funds 105
 Combining Balance Sheet 106
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances 112

(Table of Contents, continued)

Combining Fund Statements and Schedules (continued)

Nonmajor Governmental Funds (continued)

Capital Projects Funds.....	119
Combining Balance Sheet.....	121
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances.....	122

OTHER REPORTS

Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	125
Independent Auditor’s Report on Compliance for each Major Program and on Internal Control over Compliance required by the Uniform Guidance	127
Schedule of Expenditures of Federal Awards	129
Notes to the Schedule of Expenditures of Federal Awards.....	130
Schedule of Findings and Questioned Costs.....	131
Schedule of Prior Year Findings.....	133

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INTRODUCTORY SECTION

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- List of Officials

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TOWN OF TRUCKEE, CALIFORNIA
TOWN COUNCIL
FOR THE YEAR ENDED JUNE 30, 2018

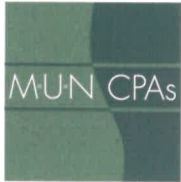
Name	Office
Carolyn Wallace Dee	Mayor
David Tirman	Vice Mayor
Jessica Abrams	Council Member
Patrick Flora	Council Member
Morgan Goodwin	Council Member

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FINANCIAL SECTION

-
- Independent Auditor's Report
 - Management's Discussion and Analysis
 - Basic Financial Statements
 - Required Supplementary Information
 - Combining Fund Statements and Schedules

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INDEPENDENT AUDITOR'S REPORT

To the Town Council
Truckee, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Truckee, California, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Truckee's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Truckee, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1, Note 4 and Note 7 to the financial statements, in 2018, the Town adopted new accounting guidance, *GASBS No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension related schedules and OPEB related schedules as listed in the table of contents presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial

reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Truckee's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2018, on our consideration of the Town of Truckee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Truckee's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Truckee's internal control over financial reporting and compliance.



Sacramento, California
November 29, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

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TOWN OF TRUCKEE, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

This discussion and analysis of the Town of Truckee's (Town) financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2018. Please read it in conjunction with the accompanying basic financial statements and the notes to the financial statements.

FINANCIAL HIGHLIGHTS

The Town's government-wide total assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources (net position) at the close of the fiscal year by \$233.0 million. Of this amount, \$47.2 million is in unrestricted net position, which is available to meet the Town's ongoing commitments to citizens and creditors.

The Town's governmental activities ended the year with total net position of \$228.3 million. Of this balance, \$43.2 million is unrestricted and available for spending at the Town's discretion.

The Town's General Fund ended the year with a fund balance of \$34.3 million. The non-spendable balance of \$0.4 million is for the Town's public works inventory on hand and prepaid assets at year-end. The restricted balance is \$0.1 million and represents the Town's share of self-insured retention for insurance. The assigned balance of \$19.2 million is designated for various contingencies, economic development projects and future capital needs. \$14.6 million is unassigned and available for spending at the Town Council's discretion.

Capital projects completed in fiscal 2018 included the Glenshire/Dorchester paving and widening, Brockway Road corridor improvement, and 2016 recessed striping projects. Additions to infrastructure projects still in construction at year end in fiscal 2018 were related to work performed on the Brickelltown streetscape improvement, envision Donner Pass Road western segment, Donner Pass Road pedestrian improvements, Donner Pass Road corridor improvement, and phase 4 of the Truckee River Trail.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. These statements include all activities of the Town of Truckee using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34. The Statement of Net Position and Statement of Activities provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements for governmental funds tell how these services are financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds.

GOVERNMENT- WIDE STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources of the Town using the accrual basis of accounting, which is similar to the accounting method used by most private sector companies. All current year revenues and expenses are taken into account regardless of when the related cash is received.

The Statement of Net Position presents information on all the Town's assets and deferred outflows of resources, as well as liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as one indicator of whether the Town's financial position is improving or deteriorating.

The Statement of Activities presents information showing how the Town's net position changed in the most recent fiscal year. All changes of net position are reported as soon as the underlying event giving rise to the change occurs. Thus, revenues and expenses are reported on this statement for some items that will result in cash flows in future fiscal periods (e.g. earned but unused vacation leave).

TOWN OF TRUCKEE, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

The government-wide financial statements of the Town are divided as follows:

Governmental Activities: Most of the Town's basic services are included here such as public safety, public works (snow removal, streets and roads), community development, facilities and general government. These services are primarily financed by property and sales taxes, federal and state grants, and development fees.

Business-Type Activities: The Town charges fees to customers to cover the costs of services provided. The Town's parking, solid waste removal service, building and safety, and transit services are included in business-type activities.

The government-wide financial statements can be found on pages 19, 20 and 21 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the Town. Since the resources of these funds are not available to support the Town's own programs, they are not reflected in the government-wide financial statements. The Statement of Fiduciary Net Position is on page 38 and includes the assets and liabilities of the Truckee Redevelopment Successor Agency formed in accordance with State law requiring the dissolution of redevelopment agencies. The Statement of Revenues, Expenses and Changes in Net Position for the fiduciary fund is on page 39.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Town's most significant funds, not the Town as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Some funds are required to be established by State Law or by bond covenants. Management establishes other funds to control and manage money for particular purposes or to show the Town is meeting legal responsibilities for using certain taxes, grants, or other money. All the funds of the Town can be classified into three categories: governmental funds, proprietary funds, or fiduciary funds.

Governmental Funds. Governmental funds are essentially used to account for the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. Such information is useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental fund financial statements is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. The Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide reconciliations between governmental funds to governmental activities in the government-wide statements. These reconciliations explain the relationship (or differences) between fund statements and the government-wide statements. The basic governmental fund financial statements can be found on pages 24-31.

Proprietary Funds. The Town utilizes enterprise funds (one type of proprietary fund) to account for those activities that are supported primarily by user charges to external users, specifically parking, transit services, solid waste removal service and building and safety. Proprietary funds provide the same type of information as the government-wide financial statement business-type activities, only in more detail. The proprietary fund financial statements provide separate information for the Parking, Solid Waste, Building and Safety, and Transit divisions. The basic proprietary fund financial statements can be found on pages 32-37.

TOWN OF TRUCKEE, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

Fiduciary Funds. The Town utilizes fiduciary funds to account for resources held for the benefit of parties outside the Town. The Statement of Fiduciary Net Position is on page 38 and includes the assets and liabilities of the Truckee Redevelopment Successor Agency formed in accordance with State law requiring the dissolution of redevelopment agencies. The Statement of Revenues, Expenses and Changes in Net Position for the fiduciary fund is on page 39.

Notes to the Financial Statements. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund statements. The notes to the financial statements can be found on pages 43-78.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Below is a table showing the Town's net position for the fiscal year ended June 30, 2018.

**Town of Truckee
Net Position**
(in thousands of dollars)

	Governmental Activities		Business-type Activities		Total Activities		Total Percentage Change
	2017	2018	2017	2018	2017	2018	
Current and other assets	\$ 80,506	\$ 87,385	\$ 3,811	\$ 5,167	\$ 84,317	\$ 92,552	9.8%
Capital assets	158,127	164,847	739	647	158,866	165,494	4.2%
Total assets	238,633	252,232	4,550	5,814	243,183	258,046	6.1%
Deferred outflows	5,238	5,492	257	287	5,495	5,779	5.2%
Total deferred outflows	5,238	5,492	257	287	5,495	5,779	5.2%
Current Liabilities	4,223	2,664	541	485	4,764	3,149	-33.9%
Net pension liability	10,201	12,021	561	700	10,762	12,721	18.2%
Net OPEB liability	-	489	-	58	-	547	
Long-term debt outstanding	9,817	13,914	73	96	9,890	14,010	41.7%
Total liabilities	24,241	29,088	1,175	1,339	25,416	30,427	19.7%
Deferred inflows	639	289	91	78	730	367	-49.7%
Total deferred inflows	639	289	91	78	730	367	-49.7%
Net position							
Invested in capital assets							
net of related debt	149,571	152,235	739	647	150,310	152,882	1.7%
Restricted	21,173	32,908	-	-	21,173	32,908	55.4%
Unrestricted	48,246	43,205	2,801	4,039	51,047	47,244	-7.4%
Total net position	\$ 218,990	\$ 228,348	\$ 3,540	\$ 4,686	\$ 222,530	\$ 233,034	4.7%

As of June 30, 2018, the Town's government-wide total assets and deferred outflows exceeded liabilities and deferred inflows (net position) by \$233.0 million. Governmental activities finished the year with a positive net position balance of \$228.3 million. Business-type activities finished the year with a positive balance of \$4.7 million. Net position as noted earlier may serve as a useful indicator of the Town's financial position if you look at the changes over time.

Of the total government-wide net position, \$152.9 million is the Town's investment in capital assets (e.g. land, buildings and improvements, and the road network) less any related debt used to acquire those assets that is still outstanding. Significant projects completed in fiscal 2018 included the Glenshire/Dorchester paving and widening, Brockway Road corridor improvement, and 2016 recessed striping projects.

The Town's long-term liabilities include debt incurred to acquire the Town's administrative facility, debt issued in 2009 to pay for the land purchased for the Public Service Facility, compensated absences payable, net pension liability related to the Town's pension plans and net other post-employment benefits (OPEB) liability related to the Town's other post-employment benefits (i.e. retiree health benefits). In addition, the Town issued "crossover" debt to refinance and refund the 2009 bonds. The proceeds were placed in an escrow account

TOWN OF TRUCKEE, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

and will be used to pay off the 2009 debt in late 2019. Both the escrow proceeds and the soon to be retired debt are included on the Town's balance sheet as of June 30, 2018.

The proceeds of the debt issued for the administrative facility and land for the public service facility are utilized to provide services to citizens and are not available for future spending. The repayment of the debt on the general fund assets must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. See Note 3 D on page 60 for debt schedules and Note 4 on pages 63-72 for further discussion of the net pension liability and net OPEB liability.

Restricted net position amounts to \$32.9 million or 14.1% of the total governmental net position. Restricted net position represents those resources that are subject to external restrictions on how they may be used. These restrictions are established by bond covenants or restrictions on the use of funds by state or federal regulations.

Unrestricted net position represents those resources which may be used to meet the Town's ongoing commitments to citizens and creditors. Government-wide unrestricted net position is \$47.2 million or 20.3% of the total net position. Governmental activities account for \$43.2 million or 91.5% of the total unrestricted net position. Business-type activities account for \$4.0 million or 8.5% of the total. The Town can use unrestricted net position of the parking, solid waste, building & safety, and transit funds to finance their continuing operations.

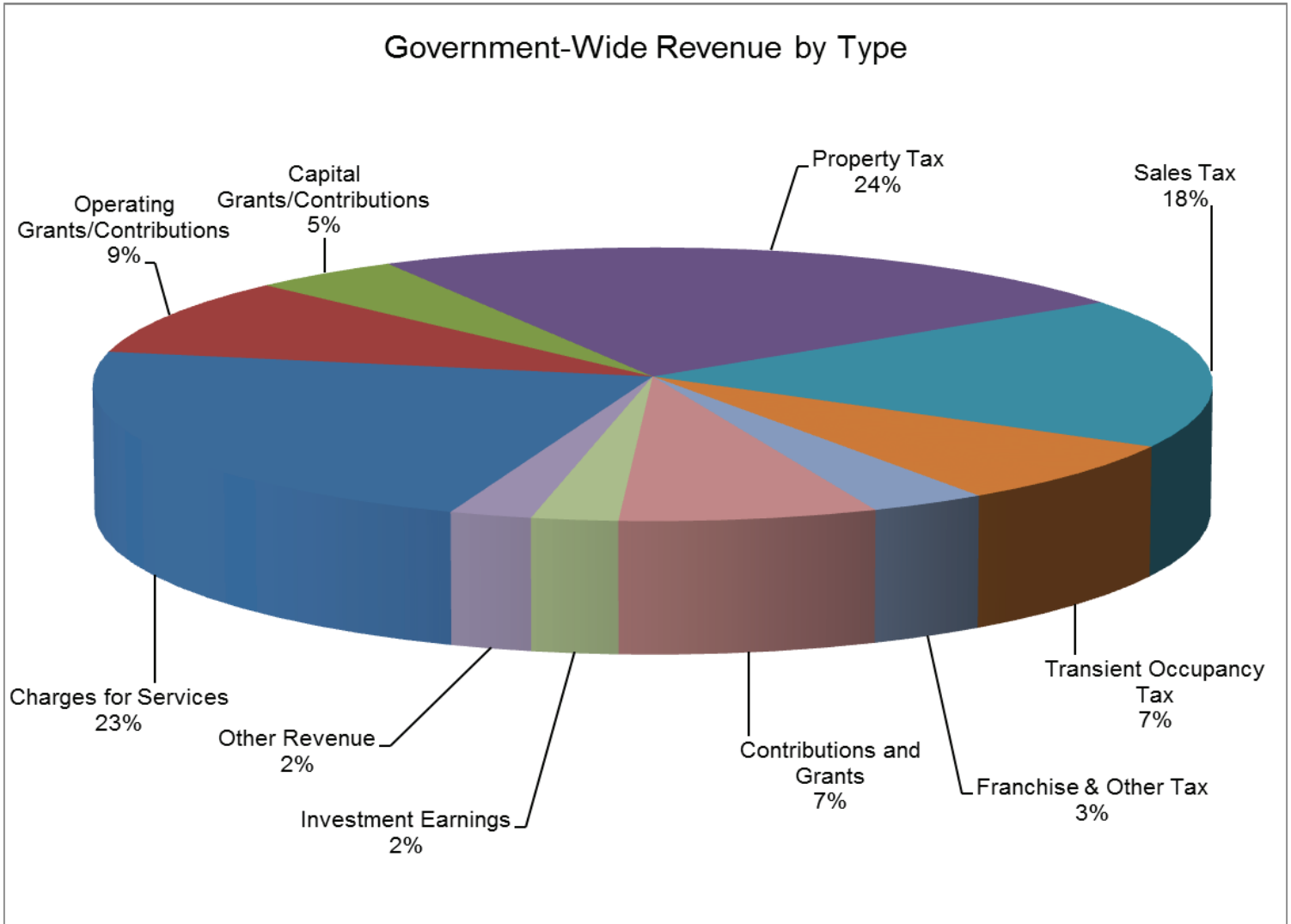
GOVERNMENTAL ACTIVITIES

The following lists key components of net position and highlights the changes between fiscal 2017 and fiscal 2018 for both Governmental Activities and Business-Type Activities:

**Town of Truckee
Changes in Net Position
(in thousands of dollars)**

	Governmental Activities		Business-type Activities		Total Activities		Total Percentage Change
	2017	2018	2017	2018	2017	2018	
Revenues							
<i>Program Revenues</i>							
Charges for services	\$ 4,772	\$ 3,984	\$ 5,868	\$ 6,438	\$ 10,640	\$ 10,422	-2%
Operating grants and contributions	2,235	3,273	895	1,052	3,130	4,325	38%
Capital grants and contributions	3,061	2,078	113	10	3,174	2,088	-34%
<i>General Revenues</i>							
Property taxes	10,546	11,078	-	-	10,546	11,078	5%
Sales taxes	7,449	8,291	-	-	7,449	8,291	11%
Transient occupancy tax	3,415	3,399	-	-	3,415	3,399	0%
Other taxes	1,404	1,498	-	-	1,404	1,498	7%
Grants and contributions unrestricted	1,552	1,642	-	-	1,552	1,642	6%
Contributed Capital	-	1,654	-	-	-	1,654	
Interest	700	1,072	17	34	717	1,106	54%
Other revenue	375	1,042	9	9	384	1,051	174%
Total revenues	\$ 35,509	\$ 39,011	\$ 6,902	\$ 7,543	\$ 42,411	\$ 46,554	

TOWN OF TRUCKEE, CALIFORNIA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 JUNE 30, 2018



Total governmental revenues for the year were \$39.0 million, an increase of \$3.5 million or 9.9% when compared to fiscal 2017. There was a prior period adjustment (see Note 7 for more information) to account for the recognition of a net OPEB liability as of June 30th, 2017, which increased fiscal 2017 governmental expenses by \$0.38 million. Revenues from charges for services decreased \$0.8 million or 16.5% when compared to fiscal 2017. This is related to the collection of a one-time \$1 million housing in-lieu payment in fiscal 2017 for future affordable housing efforts. In fiscal 2018, the Town received \$5.3 million in operating and capital grants and contributions, a net zero change from fiscal 2017.

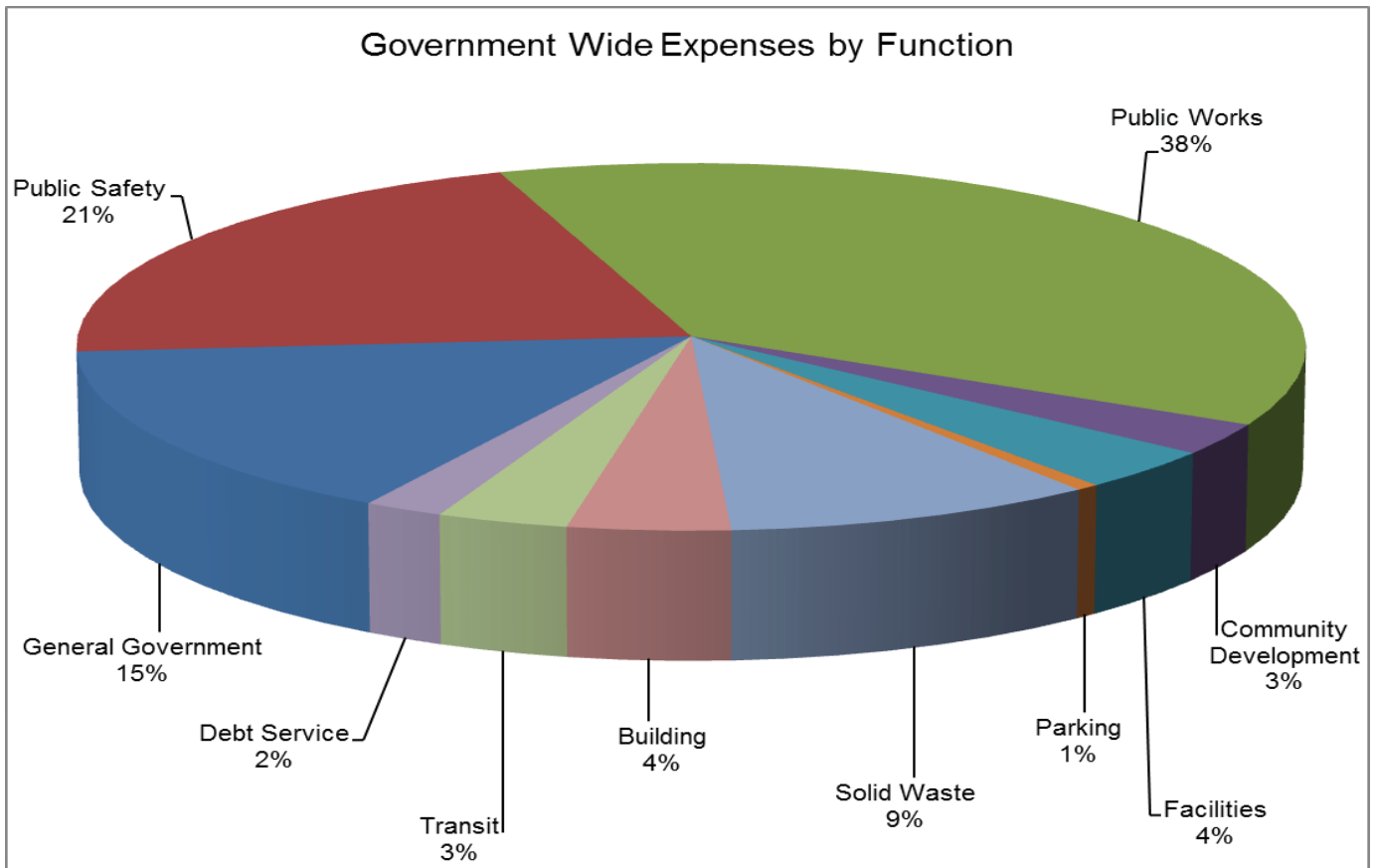
An overall tax revenue increase of \$1.5 million or 6.3% was driven by increased property tax and sales tax receipts. Property tax revenue, the Town's largest revenue source, was \$11.1 million compared to \$10.5 million in fiscal 2017. Sales taxes had an 11.3% increase compared with fiscal 2017. This increase was driven by building material sales. Weather conditions drastically shortened the construction season in fiscal 2017, whereas low snowfall in fiscal 2018 allowed for construction almost year-round. Additionally, there were continued increases in the state sales tax pool from online sales during fiscal 2018. Transient occupancy tax revenues decreased by 0.5%. There was a one-time spike in tax payments in fiscal 2017 due to \$0.2 million in back taxes collected as part of the Town's increased compliance and monitoring efforts.

TOWN OF TRUCKEE, CALIFORNIA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 JUNE 30, 2018

Taxes, which include property, sales, and other taxes account for \$24.3 million or 52.1% of the Town's governmental activity revenue. Without capital grants, taxes would be 54.6% of the Town's governmental activities revenue. Interest income increased by \$0.4 million or 53% when compared to 2017 reflecting an increase in the net return on some of the Town's investments.

**Town of Truckee
 Changes in Net Position
 (in thousands of dollars)**

	Governmental Activities		Business-type Activities		Total Activities		Total Percentage Change
	2017	2018	2017	2018	2017	2018	
Expenses							
General government	\$ 4,975	\$ 5,418	\$ -	\$ -	\$ 4,975	\$ 5,418	9%
Public safety	5,665	7,397	-	-	5,665	7,397	31%
Public works	12,342	13,444	-	-	12,342	13,444	9%
Community development	848	976	-	-	848	976	15%
Facilities	1,183	1,269	-	-	1,183	1,269	7%
Debt issuance costs	-	184	-	-	-	184	100%
Interest on long-term debt	430	517	-	-	430	517	20%
Parking	-	-	532	558	532	558	5%
Solid Waste	-	-	3,233	3,283	3,233	3,283	2%
Building & Safety	-	-	1,164	1,431	1,164	1,431	23%
Transit	-	-	1,029	1,155	1,029	1,155	12%
Total expenses	25,443	29,205	5,958	6,427	31,401	35,632	13%
Excess (deficiency) before transfers	10,066	9,806	944	1,116	11,010	10,922	
Transfers	162	(75)	(162)	75	-	-	
Extraordinary Items	-	-	-	-	-	-	
Increase (decrease) in net position	\$ 10,228	\$ 9,731	\$ 782	\$ 1,191	\$ 11,010	\$ 10,922	



TOWN OF TRUCKEE, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

Total governmental expenses for the fiscal year were \$29.2 million as compared to \$25.4 million in fiscal 2017, a 15% increase. The most significant changes from fiscal 2017 were higher public safety and public works costs. The change in public safety expenses is primarily due to a \$1.3 million increase pension expense related to GASB 68. The change in public works expense is primarily due to \$1.4 million increase in depreciation expense for assets capitalized to public works in fiscal 2017.

BUSINESS-TYPE ACTIVITIES

Business-type activities account for a total increase in net position of \$1.2 million to a net position of \$4.7 million or 2.0% of the total government-wide net position. The increase in net position is the result of a 9.7% increase in charges for services and 17.5% increase in operating grants and contributions in the parking, transit, solid waste, and building & safety funds. Due to cost controls and an increase in permit revenues, building and safety's revenues exceeded expenses by \$0.45 million and the fund built on the positive net position, initially established in fiscal 2013.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds: The ending fund balance for all governmental funds is \$67.3 million. Of the Town's governmental funds all but one fund ended the year with a positive fund balance. The negative balance was in the 15-CDBG-10566 fund, a non-major special revenue fund, and was due to uncollected grant revenues for grant expenditures during the fiscal year (see Note 2 A on page 55 for more information). Of the total fund balance, \$14.6 million or 21.6% is unassigned, which is available for spending at the Town's discretion. See Note 1 Q on pages 50 and 51 for a more in-depth discussion of the fund balance designations.

The general fund is the chief operating fund of the Town. As of June 30th, 2018 the total fund balance of the general fund was \$34.3 million with \$0.4 million in non-spendable, \$0.1 restricted for self-insurance, and \$19.2 million in assigned funds for contingencies, long-term road maintenance, economic development, facilities construction, and capital projects. The \$14.6 million in unassigned fund balance is available for other Council priorities.

Total governmental revenues, excluding other financing sources/uses, were more than expenditures by \$4.9 million. Higher tax revenues and lower governmental expenditures than the prior year are the primary drivers of this result.

Proprietary Funds: The Town's parking, solid waste, and building and safety funds ended the year with positive unrestricted net position. The transit fund had a negative unrestricted net position of \$0.06 million which is related to the initial recognition (as a prior period adjustment) of a net pension liability in fiscal 2015 that was not funded in that year.

Fiduciary Funds: The Town of Truckee Redevelopment Successor Agency fiduciary fund has a negative net position due to the transfer of assets and liabilities from the former Redevelopment Agency during fiscal 2012.

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund Budgetary Comparison Schedule is shown on page 81. There were no changes to the original budget.

Total actual revenues of \$25.1 million were \$2.1 million higher than budgeted revenues. Taxes and assessments, use of money and property, intergovernmental revenues, charges for services and other revenues all exceeded budgeted revenues. Property tax, sales tax, and transient occupancy tax revenues were over budget by a total of \$1.3 million.

TOWN OF TRUCKEE, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

Actual expenditures were lower than budgeted expenditures as a result of budgetary savings, primarily due to cost controls within the various Town divisions.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The town-wide investment in capital assets for its governmental and business-type activities as of June 30, 2018, amounts to \$152.9 million (net of depreciation and related debt). This investment in capital assets includes land, buildings and improvements, equipment, and the road network.

**Town of Truckee
Capital Assets
(in thousands of dollars)**

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2017	2018	2017	2018	2017	2018	
Land	\$ 7,165	\$ 7,165	\$ -	\$ -	\$ 7,165	\$ 7,165	0.0%
Right of Way	51,261	52,498	-	-	51,261	52,498	2.4%
Construction in Progress	11,645	11,857	-	-	11,645	11,857	1.8%
Buildings & Improvements	24,412	25,269	214	196	24,626	25,465	3.4%
Equipment	7,015	9,054	524	451	7,539	9,505	26.1%
Infrastructure	56,628	59,004	-	-	56,628	59,004	4.2%
TOTALS	\$ 158,126	\$ 164,847	\$ 738	\$ 647	\$ 158,864	\$ 165,494	

Capital projects completed in fiscal 2018 included the Glenshire/Dorchester paving and widening, Brockway Road corridor improvement, and 2016 recessed striping projects. Additions to infrastructure projects still in construction at year end in fiscal 2018 were related to work performed on the Brickelltown streetscape improvement, envision Donner Pass Road western segment, Donner Pass Road pedestrian improvements, Donner Pass Road Corridor Improvement, and phase 4 of the Truckee River Trail.

Additional information on the Town's capital assets can be found in Note 3 C on pages 59 and 60.

Long-term Liabilities. The Town's long-term liabilities as of June 30, 2018 was \$13.9 million. The majority of the Town's debt is lease revenue bonds used to acquire the Town's current administrative office facility and land for the Public Service Facility. The Town issued "crossover" debt to refinance and refund the 2009 bonds. The proceeds were placed in escrow and will be used to pay off the 2009 debt in late 2019. Both the escrow proceeds and the soon to be retired debt are included on the Town's balance sheet as of June 30, 2018. Additional information on the Town's long-term debt, including business-type activities debt, can be found in Note 3 D on pages 60 and 61.

General obligation debts are direct obligations of the Town and are backed by the full faith and credit of the Town requiring voter approval, and may have a tax rate set to cover repayment. State statues limit the amount of general obligation debt to 15% of the Town's total assessed valuation which was \$6.3 billion in fiscal 2018. The Town of Truckee's debt limit is \$942 million. The Town does not currently have any general obligation debt outstanding.

The Town recognized an increase in the net pension liabilities in the amount of \$2.0 million, ending with a total balance of \$12.7 million in accordance with GASBs 68. The Town recognized a net OPEB liability in the amount of \$0.55 million, in accordance with GASB 75. This is the first year of implementation for GASB 75. See Note 4 on pages 63-72 for additional details.

TOWN OF TRUCKEE, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

ECONOMIC FACTORS AND NEXT YEARS BUDGETS AND RATES

The Town continues to experience moderate residential growth. Fiscal 2018 growth increased over fiscal 2017 and the revenue budget for fiscal 2019 included continued growth in some categories. During the budget process for fiscal 2019 it was estimated that 95 new single-family units would be constructed within the Town, compared with 93 budgeted units in fiscal 2018. Although new single family residences permits issued decreased in fiscal 2018 (82) when compared to fiscal 2017 (96), total permits issued increased 13% in fiscal 2018 compared to fiscal 2017. There was a 23% increase in permits issued for residential remodels and residential additions between fiscal 2018 and fiscal 2017.

Commercial growth is expected to be higher in fiscal 2019 than in previous years. As of November 2018 and the publishing of this report, 11 commercial building permits had been issued compared to 9 permits issued during the whole of fiscal 2018.

General Fund expenditures for fiscal 2019, excluding debt service, overlay reserve and capital expenditures, were projected to increase approximately 4.4% when compared with fiscal 2018 budgeted expenditures. Personnel costs were projected to increase 6.1% for fiscal 2019. This budgeted increase incorporates the provisions of new Memorandums of Understanding with two employee groups and accounts for increasing California Public Employee's Retirement System (CalPERS) retirement costs along and 2.5 additional full-time equivalent positions. The fiscal 2019 budget also includes a 1.5% compensation increase, an increase in deferred compensation contributions by the Town, and 5% pay for performance increase per employee. Overall service and supply costs are budgeted to increase .45% from the fiscal 2018 budget.

Property tax, the Town's largest revenue source, is expected to grow by 6.4% from the fiscal 2018 budget. This is primarily related to the steady pace of new construction noted above, along with continuing recovery of previously reduced recessionary property values.

Transient occupancy tax, the Town's third largest revenue source, which represents 10% of revenues collected for hotel or home stays for 30 days or less, continues to be strong. The fiscal 2019 collections continue a six-year trend of increases. The revenue is projected to be 14.8% more than what was budgeted in fiscal 2018, recognizing the continued increase in the use of on-line rental opportunities for single family homeowners.

The Town's general fund is budgeted to contribute approximately \$5.5 million to the Town's capital programs, as well as an increased (from \$1.2 million in fiscal 2018) annual contribution of \$1.25 million to the road maintenance reserve. \$1.5 million of previously contributed amounts has been reallocated for Town housing and streetscape improvements from other purposes. The fiscal 2019 budget includes \$15.9 million in assigned fund balance, of which \$6.6 million (equal to 25% of revenues) of general fund balance is to be assigned for contingencies, \$3.7 million for long-term road maintenance program, and \$2.0 million for streetscape projects. As part of this balance, \$1.7 million was also assigned for future housing projects.

In June 2014 the voters approved a one-quarter cent sales tax add-on ("Measure R") to build and maintain trails within the Town limits. Collections of the revenues began in October of 2014 and the Town Council approved the creation of a Trails Maintenance division within Public Works to segregate operating costs related to trails construction and maintenance. Collections for fiscal 2018 were \$1.2 million and budgeted collections for fiscal 2019 are projected to be 3.58% higher than 2018.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Town of Truckee's finances and to demonstrate the Town's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Administrative Services Director, Town of Truckee, 10183 Truckee Airport Road, Truckee, CA, 96161-3306.

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BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements

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TOWN OF TRUCKEE, CALIFORNIA

STATEMENT OF NET POSITION

JUNE 30, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments	\$ 61,982,672	\$ 4,469,767	\$ 66,452,439
Cash with fiscal agent	4,411,817	-	4,411,817
Accounts receivable	282,751	54,357	337,108
Interest receivable	346,426	11,289	357,715
Taxes receivable	2,487,095	175,398	2,662,493
Due from other governments	242,692	448,005	690,697
Inventories	336,439	-	336,439
Prepaid costs and deposits	84,640	8,215	92,855
Loans receivable (net of allowance)	17,208,224	-	17,208,224
Capital assets:			
Nondepreciable assets	71,520,356	-	71,520,356
Depreciable assets, net of depreciation	93,326,986	647,393	93,974,379
Total Assets:	252,230,098	5,814,424	258,044,522
Deferred Outflows of Resources			
Deferred outflows	5,492,388	287,444	5,779,832
Total Deferred Outflows of Resources:	5,492,388	287,444	5,779,832
Liabilities			
Accounts payable	1,666,285	159,834	1,826,119
Salaries and benefits payable	679,144	-	679,144
Deposits payable	165,844	9,988	175,832
Interest payable	40,179	-	40,179
Unearned revenue	110,321	314,802	425,123
Net pension liability	12,020,837	699,637	12,720,474
Net OPEB liability	489,918	57,697	547,615
Long-term liabilities:			
Due within one year	501,009	21,775	522,784
Due in more than one year	13,412,589	73,888	13,486,477
Total Liabilities:	29,086,126	1,337,621	30,423,747
Deferred Inflows of Resources			
Deferred inflows	288,886	77,576	366,462
Total Deferred Inflows of Resources:	288,886	77,576	366,462
Net Position			
Net investment in capital assets	152,234,960	647,393	152,882,353
Restricted for:			
Capital projects	5,040,285	-	5,040,285
Debt Service	4,483,759	-	4,483,759
Grants, taxes, and fees	23,383,892	-	23,383,892
Unrestricted	43,204,578	4,039,278	47,243,856
Total Net Position:	\$ 228,347,474	\$ 4,686,671	\$ 233,034,145

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

TOWN OF TRUCKEE, CALIFORNIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
General Government	\$ 5,417,395	\$ 474,962	\$ 189,279	\$ -
Public Safety	7,396,552	469,477	318,130	-
Public Works	13,444,494	2,776,707	2,765,806	2,077,820
Community Development	976,230	263,166	-	-
Facilities	1,268,649	-	-	-
Debt Service	183,814	-	-	-
Interest	517,411	-	-	-
Total Governmental Activities:	<u>29,204,545</u>	<u>3,984,312</u>	<u>3,273,215</u>	<u>2,077,820</u>
Business-Type Activities:				
Parking	557,586	921,623	-	-
Transit	1,154,597	116,030	910,951	9,724
Solid Waste	3,283,408	3,523,045	141,471	-
Building	1,430,327	1,877,151	-	-
Total Business-Type Activities:	<u>6,425,918</u>	<u>6,437,849</u>	<u>1,052,422</u>	<u>9,724</u>
Total Primary Government:	<u>\$ 35,630,463</u>	<u>\$ 10,422,161</u>	<u>\$ 4,325,637</u>	<u>\$ 2,087,544</u>

TOWN OF TRUCKEE, CALIFORNIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets		
	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Primary Government			
Governmental Activities:			
General Government	\$ (4,753,154)	\$ -	\$ (4,753,154)
Public Safety	(6,608,945)	-	(6,608,945)
Public Works	(5,824,161)	-	(5,824,161)
Community Development	(713,064)	-	(713,064)
Facilities	(1,268,649)	-	(1,268,649)
Debt Service	(183,814)	-	(183,814)
Interest	(517,411)	-	(517,411)
Total Governmental Activities:	<u>(19,869,198)</u>	<u>-</u>	<u>(19,869,198)</u>
Business-Type Activities:			
Parking	-	364,037	364,037
Transit	-	(117,892)	(117,892)
Solid Waste	-	381,108	381,108
Building	-	446,824	446,824
Total Business-Type Activities:	<u>-</u>	<u>1,074,077</u>	<u>1,074,077</u>
Total Primary Government:	<u>(19,869,198)</u>	<u>1,074,077</u>	<u>(18,795,121)</u>
Taxes:			
Property taxes	11,077,985	-	11,077,985
Sales and use taxes	8,291,007	-	8,291,007
Transient occupancy taxes	3,399,229	-	3,399,229
Property transfer taxes	305,873	-	305,873
Franchise taxes	1,192,065	-	1,192,065
Grants and contributions - unrestricted	1,642,396	-	1,642,396
Interest and investment earnings	1,072,770	33,550	1,106,320
Contributed Capital	1,653,967	-	1,653,967
Miscellaneous	1,041,929	8,519	1,050,448
Transfers	(74,702)	74,702	-
Total General Revenues, Special Items and Transfers:	<u>29,602,519</u>	<u>116,771</u>	<u>29,719,290</u>
Change in Net Position:	9,733,321	1,190,848	10,924,169
Net Position - Beginning, as previously reported	218,990,724	3,539,984	222,530,708
Prior Period Adjustment (Note 7)	(376,571)	(44,161)	(420,732)
Net Position - Beginning	<u>218,614,153</u>	<u>3,495,823</u>	<u>222,109,976</u>
Net Position - Ending:	<u>\$ 228,347,474</u>	<u>\$ 4,686,671</u>	<u>\$ 233,034,145</u>

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BASIC FINANCIAL STATEMENTS

Fund Financial Statements

TOWN OF TRUCKEE, CALIFORNIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	General Fund	Capital Projects Fund	Town Hall Bond Reserve Fund	Measure R Trails Fund
Assets				
Cash and investments	\$ 32,810,579	\$ 1,980,081	\$ -	\$ 2,915,528
Cash with fiscal agent	-	-	4,411,817	-
Accounts receivable	234,365	27,495	-	-
Interest receivable	203,113	-	71,943	8,234
Taxes receivable	1,912,445	-	-	173,439
Due from other funds	2,285	-	-	-
Due from other governments	164,770	18,629	-	-
Inventories	336,439	-	-	-
Prepaid costs and deposits	84,640	-	-	-
Loans receivable	1,878,067	-	-	-
Total Assets:	<u>\$ 37,626,703</u>	<u>\$ 2,026,205</u>	<u>\$ 4,483,760</u>	<u>\$ 3,097,201</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	362,887	1,278,750	-	-
Salaries and benefits payable	679,144	-	-	-
Deposits payable	136,902	28,942	-	-
Due to other funds	-	-	-	-
Unearned revenue	18,042	92,279	-	-
Total Liabilities:	<u>1,196,975</u>	<u>1,399,971</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources:				
Deferred inflows	2,093,612	30,989	-	-
Total Deferred Inflows of Resources:	<u>2,093,612</u>	<u>30,989</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Nonspendable	421,079	-	-	-
Restricted	105,000	595,245	4,483,760	3,097,201
Assigned	19,248,909	-	-	-
Unassigned	14,561,128	-	-	-
Total Fund Balances:	<u>34,336,116</u>	<u>595,245</u>	<u>4,483,760</u>	<u>3,097,201</u>
Total Liabilities and Fund Balances:	<u>\$ 37,626,703</u>	<u>\$ 2,026,205</u>	<u>\$ 4,483,760</u>	<u>\$ 3,097,201</u>

TOWN OF TRUCKEE, CALIFORNIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	Traffic Impact Fees Fund	Debt Service Fund	Measure V Road Maintenance Fund	HOME Grant Fund
Assets				
Cash and investments	\$ 6,038,377	\$ -	\$ 2,280,438	\$ -
Cash with fiscal agent	-	-	-	-
Accounts receivable	-	-	-	-
Interest receivable	20,850	-	12,768	-
Taxes receivable	-	-	359,388	-
Due from other funds	-	-	-	-
Due from other governments	-	-	-	-
Inventories	-	-	-	-
Prepaid costs and deposits	-	-	-	-
Loans receivable	-	-	-	12,319,143
Total Assets:	<u>\$ 6,059,227</u>	<u>\$ -</u>	<u>\$ 2,652,594</u>	<u>\$ 12,319,143</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	490	-	293	-
Salaries and benefits payable	-	-	-	-
Deposits payable	-	-	-	-
Due to other funds	-	-	-	-
Unearned revenue	-	-	-	-
Total Liabilities:	<u>490</u>	<u>-</u>	<u>293</u>	<u>-</u>
Deferred Inflows of Resources:				
Deferred inflows	-	-	-	12,319,143
Total Deferred Inflows of Resources:	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,319,143</u>
Fund Balances:				
Nonspendable	-	-	-	-
Restricted	6,058,737	-	2,652,301	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances:	<u>6,058,737</u>	<u>-</u>	<u>2,652,301</u>	<u>-</u>
Total Liabilities and Fund Balances:	<u>\$ 6,059,227</u>	<u>\$ -</u>	<u>\$ 2,652,594</u>	<u>\$ 12,319,143</u>

Continued (Page 2 of 3)

TOWN OF TRUCKEE, CALIFORNIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	Town Special Service Areas Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and investments	\$ 5,836,528	\$ 10,121,141	\$ 61,982,672
Cash with fiscal agent	-	-	4,411,817
Accounts receivable	-	20,891	282,751
Interest receivable	15,556	13,962	346,426
Taxes receivable	39,112	2,711	2,487,095
Due from other funds	-	-	2,285
Due from other governments	-	59,293	242,692
Inventories	-	-	336,439
Prepaid costs and deposits	-	-	84,640
Loans receivable	-	3,011,014	17,208,224
Total Assets:	<u>\$ 5,891,196</u>	<u>\$ 13,229,012</u>	<u>\$ 87,385,041</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	351	23,514	1,666,285
Salaries and benefits payable	-	-	679,144
Deposits payable	-	-	165,844
Due to other funds	-	2,285	2,285
Unearned revenue	-	-	110,321
Total Liabilities:	<u>351</u>	<u>25,799</u>	<u>2,623,879</u>
Deferred Inflows of Resources:			
Deferred inflows	-	3,051,434	17,495,178
Total Deferred Inflows of Resources:	<u>-</u>	<u>3,051,434</u>	<u>17,495,178</u>
Fund Balances:			
Nonspendable	-	-	421,079
Restricted	5,890,845	4,984,562	27,867,651
Assigned	-	5,167,217	24,416,126
Unassigned	-	-	14,561,128
Total Fund Balances:	<u>5,890,845</u>	<u>10,151,779</u>	<u>67,265,984</u>
Total Liabilities and Fund Balances:	<u>\$ 5,891,196</u>	<u>\$ 13,229,012</u>	<u>\$ 87,385,041</u>

Continued (Page 3 of 3)

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

TOWN OF TRUCKEE, CALIFORNIA
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION -
GOVERNMENTAL ACTIVITIES
JUNE 30, 2018

Total Governmental Fund Balances	\$	67,265,984
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets (\$223,610,390), net of accumulated depreciation (\$58,763,048), used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		164,847,342
Long-term liabilities, including bonds payable, bond interest payable, and compensated absences, are not due and payable in the current period and therefore are not reported in the governmental fund financial statements.		(13,953,777)
Long-term pension liability, which is based on GASB 68 reporting requirements, is not due and payable in the current period and therefore is not reported in the governmental fund financial statements.		
Net pension liability		(12,020,837)
Deferred outflows, related to pension expense		5,358,421
Deferred inflows, related to pension expense		(288,886)
Long-term OPEB liability, which is based on GASB 75 reporting requirements, is not due and payable in the current period and therefore is not reported in the governmental fund financial statements.		
Net OPEB liability		(489,918)
Deferred outflows, related to OPEB expense		133,967
Adjustment to deferred inflows of resources for grant receivables, long-term loan payments, accrued interest, and new loans.		17,495,178
Net Position of Governmental Activities	\$	<u>228,347,474</u>

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

TOWN OF TRUCKEE, CALIFORNIA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Capital Projects Fund	Town Hall Bond Reserve Fund	Measure R Trails Fund
Revenues				
Taxes and assessments	\$ 20,317,704	\$ -	\$ -	\$ 1,251,682
Licenses and permits	274,295	-	-	-
Fines and forfeitures	191,860	-	-	-
Use of money and property	319,897	-	47,160	15,128
Intergovernmental revenues	2,016,552	2,676,275	-	-
Charges for services	1,300,113	-	-	-
Other revenues	636,242	120,233	-	-
Total Revenues:	<u>25,056,663</u>	<u>2,796,508</u>	<u>47,160</u>	<u>1,266,810</u>
Expenditures				
Current:				
General Government	4,387,704	419,724	-	-
Public Safety	6,163,617	-	-	-
Public Works	6,024,358	865,039	-	-
Community Development	926,727	-	-	-
Facilities	1,235,254	-	-	-
Capital Outlay	8,065	9,657,807	-	-
Debt service:				
Cost of Issuance	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures:	<u>18,745,725</u>	<u>10,942,570</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures:	<u>6,310,938</u>	<u>(8,146,062)</u>	<u>47,160</u>	<u>1,266,810</u>
Other financing sources (uses):				
Issuance of debt	-	-	-	-
Transfers in	2,369,812	9,462,416	4,312,667	-
Transfers out	(4,731,636)	-	(200,424)	(297,229)
Total Other financing sources (uses):	<u>(2,361,824)</u>	<u>9,462,416</u>	<u>4,112,243</u>	<u>(297,229)</u>
Net Change in Fund Balances:	3,949,114	1,316,354	4,159,403	969,581
Fund Balances - Beginning	30,387,002	(721,109)	324,357	2,127,620
Fund Balances - Ending:	<u>\$ 34,336,116</u>	<u>\$ 595,245</u>	<u>\$ 4,483,760</u>	<u>\$ 3,097,201</u>

TOWN OF TRUCKEE, CALIFORNIA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Traffic Impact Fees Fund	Debt Service Fund	Measure V Road Maintenance Fund	HOME Grant Fund
Revenues				
Taxes and assessments	\$ -	\$ -	\$ 2,548,299	\$ -
Licenses and permits	-	-	-	-
Fines and forfeitures	-	-	-	-
Use of money and property	47,645	-	20,286	-
Intergovernmental revenues	-	-	-	-
Charges for services	832,880	-	-	-
Other revenues	393,731	86,009	-	-
Total Revenues:	<u>1,274,256</u>	<u>86,009</u>	<u>2,568,585</u>	<u>-</u>
Expenditures				
Current:				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	8,474	-	19,472	-
Community Development	-	-	-	-
Facilities	-	-	-	-
Capital Outlay	-	-	-	-
Debt service:				
Cost of Issuance	-	183,814	-	-
Principal	-	436,000	-	-
Interest	-	517,411	-	-
Total Expenditures:	<u>8,474</u>	<u>1,137,225</u>	<u>19,472</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures:	<u>1,265,782</u>	<u>(1,051,216)</u>	<u>2,549,113</u>	<u>-</u>
Other financing sources (uses):				
Issuance of debt	-	4,498,662	-	-
Transfers in	-	953,411	-	-
Transfers out	(2,083,625)	(4,400,857)	(2,770,817)	-
Total Other financing sources (uses):	<u>(2,083,625)</u>	<u>1,051,216</u>	<u>(2,770,817)</u>	<u>-</u>
Net Change in Fund Balances:	(817,843)	-	(221,704)	-
Fund Balances - Beginning	6,876,580	-	2,874,005	-
Fund Balances - Ending:	<u>\$ 6,058,737</u>	<u>\$ -</u>	<u>\$ 2,652,301</u>	<u>\$ -</u>

Continued (Page 2 of 3)

TOWN OF TRUCKEE, CALIFORNIA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Town Special Service Areas Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes and assessments	\$ 774,447	\$ 2,325,039	\$ 27,217,171
Licenses and permits	-	-	274,295
Fines and forfeitures	-	99,306	291,166
Use of money and property	39,405	126,656	616,177
Intergovernmental revenues	-	1,189,898	5,882,725
Charges for services	-	454,368	2,587,361
Other revenues	-	282,199	1,518,414
Total Revenues:	<u>813,852</u>	<u>4,477,466</u>	<u>38,387,309</u>
Expenditures			
Current:			
General Government	-	30,750	4,838,178
Public Safety	-	108,810	6,272,427
Public Works	11,385	35,658	6,964,386
Community Development	-	36,784	963,511
Facilities	-	-	1,235,254
Capital Outlay	-	2,324,301	11,990,173
Debt service:			
Cost of Issuance	-	-	183,814
Principal	-	-	436,000
Interest	-	-	517,411
Total Expenditures:	<u>11,385</u>	<u>2,536,303</u>	<u>33,401,154</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures:	<u>802,467</u>	<u>1,941,163</u>	<u>4,986,155</u>
Other financing sources (uses):			
Issuance of debt	-	-	4,498,662
Transfers in	-	194,107	17,292,413
Transfers out	(149,961)	(2,732,568)	(17,367,117)
Total Other financing sources (uses):	<u>(149,961)</u>	<u>(2,538,461)</u>	<u>4,423,958</u>
Net Change in Fund Balances:	652,506	(597,298)	9,410,113
Fund Balances - Beginning	5,238,339	10,749,077	57,855,871
Fund Balances - Ending:	<u>\$ 5,890,845</u>	<u>\$ 10,151,779</u>	<u>\$ 67,265,984</u>

Continued (Page 3 of 3)

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

TOWN OF TRUCKEE, CALIFORNIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

The schedule below reconciles the net changes in fund balances reported on the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances, which measure only changes in current assets and current liabilities on the modified accrual basis, with the changes in net position of governmental activities reported in the Statement of Activities, which is prepared on the full accrual basis.

Net Change in Fund Balances - Total Governmental Funds	\$ 9,410,113
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$11,990,173) exceeded depreciation expense (\$6,908,737) in the current period.	5,081,436
Governmental funds do not report infrastructure additions for contributed capital. This is the amount of contributed capital reported as an asset and revenue in the government-wide financial statements.	1,653,967
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. The additional net effect of various transactions involving capital assets (i.e. sales) is a decrease to net position.	(14,872)
Some revenues reported in the Statement of Activities will not be collected for several months after the Town's year end and do not provide current financial resources and therefore are not reported as revenues in the governmental fund financial statements (\$167,302). Some revenues reported in prior year Statement of Activities were recognized in the governmental funds in current year (\$1,298,226).	(1,130,924)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the net amount of proceeds less principal repayments.	(4,062,662)
Repayment of long-term receivables is treated as revenue in the governmental fund financial statements, but the repayment reduces long-term receivables in the Statement of Net Position. Issuance of long-term receivables is treated as an expenditure in the governmental fund financial statements, but the issuance increases long-term receivables in the Statement of Net Position. Also, interest accrued on long-term loans increases unearned revenue in the governmental funds, but increases revenue in the Statement of Activities.	
Loan program receipts	(354,375)
Loans made during the year	58,976
Long-term loan interest accrual	456,594
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental fund financial statements.	
Change in compensated absences	(39,511)
Amortization of bond discount, cost of issuance and refunding difference	5,600
Increase of pension expense based on GASB 68 adjustments	(1,350,047)
Other post-employment benefits	19,026
Change in Net Position of Governmental Activities	<u>\$ 9,733,321</u>

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

TOWN OF TRUCKEE, CALIFORNIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018

	Business-Type Activities - Enterprise Funds		
	Parking Fund	Transit Fund	Solid Waste Fund
Assets			
Current Assets:			
Cash and investments	\$ 1,432,641	\$ 28,837	\$ 764,120
Accounts receivable, net of allowance	44,654	378,058	251,526
Interest receivable	3,737	323	1,613
Prepaid costs	8,215	-	-
Total Current Assets:	<u>1,489,247</u>	<u>407,218</u>	<u>1,017,259</u>
Noncurrent Assets:			
Capital assets:			
Depreciable capital assets	131,931	1,125,416	32,007
Less: accumulated depreciation	<u>(46,773)</u>	<u>(661,500)</u>	<u>(31,808)</u>
Total Noncurrent Assets:	<u>85,158</u>	<u>463,916</u>	<u>199</u>
Total Assets:	<u>1,574,405</u>	<u>871,134</u>	<u>1,017,458</u>
Deferred Outflows of Resources			
Deferred outflows	55,352	47,135	31,581
Total Deferred Outflows of Resources:	<u>55,352</u>	<u>47,135</u>	<u>31,581</u>
Liabilities			
Current Liabilities:			
Accounts payable	15,128	51,131	64,873
Deposits payable	-	-	-
Unearned revenue	-	314,802	-
Compensated absences	2,263	958	368
Total Current Liabilities:	<u>17,391</u>	<u>366,891</u>	<u>65,241</u>
Noncurrent Liabilities:			
Net pension liability	133,055	115,135	80,820
Net OPEB liability	7,636	2,018	5,394
Compensated absences	24,429	17,249	7,729
Total Noncurrent Liabilities:	<u>165,120</u>	<u>134,402</u>	<u>93,943</u>
Total Liabilities:	<u>182,511</u>	<u>501,293</u>	<u>159,184</u>
Deferred Inflows of Resources			
Deferred inflows	9,663	9,435	10,578
Total Deferred Inflows of Resources:	<u>9,663</u>	<u>9,435</u>	<u>10,578</u>
Net Position			
Net investment in capital assets	85,158	463,916	199
Unrestricted	<u>1,352,429</u>	<u>(56,377)</u>	<u>879,079</u>
Total Net Position:	<u>\$ 1,437,587</u>	<u>\$ 407,539</u>	<u>\$ 879,278</u>

TOWN OF TRUCKEE, CALIFORNIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018

	Business-Type Activities - Enterprise Funds	
	Building and Safety Fund	Total
Assets		
Current Assets:		
Cash and investments	\$ 2,244,169	\$ 4,469,767
Accounts receivable, net of allowance	3,522	677,760
Interest receivable	5,616	11,289
Prepaid costs	-	8,215
Total Current Assets:	2,253,307	5,167,031
Noncurrent Assets:		
Capital assets:		
Depreciable capital assets	267,394	1,556,748
Less: accumulated depreciation	(169,274)	(909,355)
Total Noncurrent Assets:	98,120	647,393
Total Assets:	2,351,427	5,814,424
 Deferred Outflows of Resources		
Deferred outflows	153,376	287,444
Total Deferred Outflows of Resources:	153,376	287,444
 Liabilities		
Current Liabilities:		
Accounts payable	28,702	159,834
Deposits payable	9,988	9,988
Unearned revenue	-	314,802
Compensated absences	18,186	21,775
Total Current Liabilities:	56,876	506,399
Noncurrent Liabilities:		
Net pension liability	370,627	699,637
Net OPEB liability	42,649	57,697
Compensated absences	24,481	73,888
Total Noncurrent Liabilities:	437,757	831,222
Total Liabilities:	494,633	1,337,621
 Deferred Inflows of Resources		
Deferred inflows	47,901	77,577
Total Deferred Inflows of Resources:	47,901	77,577
 Net Position		
Net investment in capital assets	98,120	647,393
Unrestricted	1,864,147	4,039,278
Total Net Position:	\$ 1,962,267	\$ 4,686,671

Continued (Page 2 of 2)

TOWN OF TRUCKEE, CALIFORNIA
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Business-Type Activities - Enterprise Funds		
	Parking Fund	Transit Fund	Solid Waste Fund
Operating Revenues			
Charges for services	\$ 843,753	\$ 116,030	\$ 3,523,045
Fines and forfeitures	77,870	-	-
Other revenues	-	162,034	-
Total Operating Revenues:	<u>921,623</u>	<u>278,064</u>	<u>3,523,045</u>
Operating Expenses			
Salaries and benefits	214,561	148,521	175,600
Services and supplies	333,054	937,257	3,107,157
Depreciation	9,971	68,819	133
Total Operating Expenses:	<u>557,586</u>	<u>1,154,597</u>	<u>3,282,890</u>
Operating Income (Loss):	<u>364,037</u>	<u>(876,533)</u>	<u>240,155</u>
Nonoperating Revenues (Expenses)			
Intergovernmental revenues	-	761,916	141,471
Interest income	16,097	1,689	5,583
Gain (loss) on disposal	-	-	(518)
Total Nonoperating Revenues (Expenses):	<u>16,097</u>	<u>763,605</u>	<u>146,536</u>
Income (Loss) Before Contributions and Transfers:	<u>380,134</u>	<u>(112,928)</u>	<u>386,691</u>
Transfers in	36,705	45,654	-
Transfers out	-	-	-
Change in Net Position:	<u>416,839</u>	<u>(67,274)</u>	<u>386,691</u>
Total Net Position - Beginning balance as previously reported	1,026,592	476,359	496,716
Prior Period Adjustment (Note 7)	(5,844)	(1,545)	(4,129)
Total Net Position - Beginning	<u>1,020,748</u>	<u>474,814</u>	<u>492,587</u>
Total Net Position - Ending:	<u>\$ 1,437,587</u>	<u>\$ 407,540</u>	<u>\$ 879,278</u>

TOWN OF TRUCKEE, CALIFORNIA
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Business-Type Activities - Enterprise Funds	
	Building and Safety Fund	Total
Operating Revenues		
Charges for services	\$ 1,862,441	\$ 6,345,269
Fines and forfeitures	14,710	\$ 92,580
Other revenues	5,244	\$ 167,278
Total Operating Revenues:	<u>1,882,395</u>	<u>6,605,127</u>
Operating Expenses		
Salaries and benefits	865,621	\$ 1,404,303
Services and supplies	545,034	\$ 4,922,502
Depreciation	18,375	\$ 97,298
Total Operating Expenses:	<u>1,429,030</u>	<u>6,424,103</u>
Operating Income (Loss):	<u>453,365</u>	<u>181,024</u>
Nonoperating Revenues (Expenses)		
Intergovernmental revenues	-	\$ 903,387
Interest income	10,181	\$ 33,550
Gain (loss) on disposal	(1,297)	\$ (1,815)
Total Nonoperating Revenues (Expenses):	<u>8,884</u>	<u>935,122</u>
Income (Loss) Before Contributions and Transfers:	462,249	1,116,146
Transfers in	-	\$ 82,359
Transfers out	(7,657)	\$ (7,657)
Change in Net Position:	454,592	1,190,848
Total Net Position - Beginning balance as previously reported	1,540,317	\$ 3,539,984
Prior Period Adjustment (Note 7)	(32,643)	\$ (44,161)
Total Net Position - Beginning	<u>1,507,674</u>	<u>\$ 3,495,823</u>
Total Net Position - Ending:	<u>\$ 1,962,266</u>	<u>\$ 4,686,671</u>

Continued (Page 2 of 2)

TOWN OF TRUCKEE, CALIFORNIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Parking Fund</u>	<u>Transit Fund</u>	<u>Solid Waste Fund</u>
Cash Flows from Operating Activities			
Receipts from customers	\$ 911,903	\$ 323,490	\$ 3,461,159
Payments to suppliers	(332,274)	(923,776)	(3,354,323)
Payments to employees	(191,545)	(128,935)	(159,723)
Net Cash Provided by (Used for) Operating Activities:	<u>388,084</u>	<u>(729,221)</u>	<u>(52,887)</u>
Cash Flows from Financing Activities			
Intergovernmental revenues	-	919,636	141,471
Transfers from/(to) other funds	36,705	45,654	-
Interfund loans repaid	-	(208,599)	-
Net Cash Provided by (Used for) Non-Capital Financing Activities:	<u>36,705</u>	<u>756,691</u>	<u>141,471</u>
Cash Flows from Capital and Related Financing Activities			
Acquisition of capital assets	-	-	-
Net Cash Used for Capital and Related Financing Activities:	<u>-</u>	<u>-</u>	<u>-</u>
Cash Flows from Investing Activities			
Interest received on investments	13,686	1,367	4,512
Net Cash Provided by Investing Activities:	<u>13,686</u>	<u>1,367</u>	<u>4,512</u>
Net Increase in Cash and Cash Equivalents:	438,475	28,837	93,096
Cash and Cash Equivalents - Beginning of the Year	994,166	-	671,024
Cash and Cash Equivalents - End of the Year:	<u>\$ 1,432,641</u>	<u>\$ 28,837</u>	<u>\$ 764,120</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES			
Operating income (loss)	<u>\$ 364,037</u>	<u>\$ (876,533)</u>	<u>\$ 240,155</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	9,971	68,819	133
Pension	23,536	19,239	13,119
Decrease (increase) in:			
Accounts receivable	(9,720)	45,426	(61,886)
Prepaid expenses	(3,542)	-	-
Increase (decrease) in:			
Accounts payable	4,322	13,481	(247,166)
Deposits payable	-	-	-
Compensated absences	(520)	347	2,758
Net Cash Provided by (Used for) Operating Activities:	<u>\$ 388,084</u>	<u>\$ (729,221)</u>	<u>\$ (52,887)</u>

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

TOWN OF TRUCKEE, CALIFORNIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Business-Type Activities - Enterprise Funds	
	Building and Safety Fund	Total
Cash Flows from Operating Activities		
Receipts from customers	\$ 1,889,138	\$ 6,585,690
Payments to suppliers	(539,387)	(5,149,760)
Payments to employees	(793,193)	(1,273,396)
Net Cash Provided by (Used for) Operating Activities:	<u>556,558</u>	<u>162,534</u>
Cash Flows from Financing Activities		
Intergovernmental revenues	-	1,061,107
Transfers from/(to) other funds	(7,657)	74,702
Interfund loans repaid	-	(208,599)
Net Cash Provided by (Used for) Non-Capital Financing Activities:	<u>(7,657)</u>	<u>927,210</u>
Cash Flows from Capital and Related Financing Activities		
Acquisition of capital assets	<u>(7,657)</u>	<u>(7,657)</u>
Net Cash Used for Capital and Related Financing Activities:	<u>(7,657)</u>	<u>(7,657)</u>
Cash Flows from Investing Activities		
Interest received on investments	<u>6,398</u>	<u>25,963</u>
Net Cash Provided by Investing Activities:	<u>6,398</u>	<u>25,963</u>
Net Increase in Cash and Cash Equivalents:	547,642	1,108,050
Cash and Cash Equivalents - Beginning of the Year	<u>1,696,527</u>	<u>3,361,717</u>
Cash and Cash Equivalents - End of the Year:	<u>\$ 2,244,169</u>	<u>\$ 4,469,767</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
Operating income (loss)	<u>\$ 453,365</u>	<u>\$ 181,024</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	18,375	97,298
Pension	52,716	108,610
Decrease (increase) in:		
Accounts receivable	(2,245)	(28,425)
Prepaid expenses	-	(3,542)
Increase (decrease) in:		
Accounts payable	5,647	(223,716)
Deposits payable	8,988	8,988
Compensated absences	19,712	22,297
Net Cash Provided by (Used for) Operating Activities:	<u>\$ 556,558</u>	<u>\$ 162,534</u>

TOWN OF TRUCKEE, CALIFORNIA
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018

	Successor Agency Fund
Assets	
Investments, held with trustees	\$ 1,910,999
Accounts receivable	12,809
Interest receivable	1,043
Notes receivable	503,333
Capital assets:	
Depreciable capital assets	217,816
Less: accumulated depreciation	(217,816)
Total Capital assets:	-
Total Assets:	2,428,184
Liabilities	
Accounts payable	51
Interest payable	202,627
Long-term liabilities:	
Due within one year	134,205
Due in more than one year	12,201,592
Total Long-term liabilities:	12,335,797
Total Liabilities:	12,538,475
Net Position	
Held in trust for other purposes	(10,110,291)
Total Net Position:	\$ (10,110,291)

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

TOWN OF TRUCKEE, CALIFORNIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Successor Agency Fund
Additions	
Property taxes	\$ 705,887
Use of money and property	27,221
Other revenue	364,594
Total Additions:	1,097,702
 Deductions	
Program expenses	2,881
Administrative expenses	204,621
Interest and fiscal agency expenses	732,246
Noncash expenses: depreciation, amortization, loan forgiveness	41,560
Total Deductions:	981,308
Change in Net Assets:	116,394
Net Position - Beginning	(10,226,685)
Net Position - Ending:	\$ (10,110,291)

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

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BASIC FINANCIAL STATEMENTS

Notes to the Basic Financial Statements

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TOWN OF TRUCKEE, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1: FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. The fiduciary activities are only reported in the fund financial statements. *Governmental activities*, which are normally supported by taxes, intergovernmental revenues, and other non-exchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers to continue operations. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

B. Reporting Entity

The Town of Truckee (Town) incorporated on March 23rd, 1993, became a charter city on September 15th, 1995 and is governed under the laws governing charter cities and other applicable state statutes. The Town operates under a Council form of government and provides the following services: public safety, maintenance of roadways, public improvements, community planning, zoning, general administrative services, solid waste removal services, building safety, parking, and transit.

The governmental reporting entity consists of the Town (Primary Government) and its component units. Component units are legally separate organizations for which the Primary Government, and therefore the Council, is financially accountable. Additionally, they are other organizations whose component unit nature and significant relationship with the Town are such that exclusion would cause the Town's financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and either (i) the Town's ability to impose its will on the organization or (ii) there is potential for the organization to provide a financial benefit to or impose a financial burden on the Town.

Reporting for component units on the Town's financial statements can be blended or discretely presented. Blended component units are, although legally separate entities, in substance part of the Town's operations, and therefore, data from these units are combined with data of the primary government. Discretely presented component units would be reported in a separate column in the government-wide financial statements to emphasize that the unit is legally separate from the primary government.

For financial reporting purposes, the Town's basic financial statements include all activities that are controlled by or are dependent upon the actions taken by the Town Council.

Blended Component Units

Component units that are blended into the reporting activity types of the Town's report are presented below:

Truckee Public Financing Authority

The Truckee Public Financing Authority is a public agency created under a joint exercise of powers agreement between the Town and the former Town of Truckee Redevelopment Agency (now the Redevelopment Successor Agency). The governing body is substantially the same as the primary government, and the Town and the component unit are financially interdependent. Because the unit meets all criteria of a component unit, the unit is presented by blending with the primary government. Separate audited financial statements for the Truckee Public Financing Authority are not issued.

Debt of the Truckee Public Financing Authority related to Town operations is shown as long-term debt of the Town. Debt related to the Redevelopment Successor Agency is shown as debt of the fiduciary fund.

TOWN OF TRUCKEE, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

**NOTE 1: FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Discretely Presented Component Units

There are no component units of the Town which meet the criteria for discrete presentation.

C. Basis of Presentation

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the primary government, the Town, and its component unit. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the Town. Governmental activities, which are normally supported by taxes and inter-governmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties. The statement of activities presents a comparison between direct expenses and program revenues for each different identifiable activity of the Town's business-type activities and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function, and therefore are clearly identifiable to a particular function. Program revenues include (i) charges paid by the recipient of goods and services offered by the program and (ii) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

Fund Financial Statements

Fund financial statements of the reporting entity presents a separate column for each fund, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered to be major if it is the primary operating fund of the Town or meets both of the following criteria:

1. Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures of that individual governmental or proprietary fund are at least 10% of the corresponding total for all funds of that category or type; and
2. Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures of the individual governmental or proprietary fund are at least 5% of the corresponding total for all governmental and proprietary funds combined.

The Town reports the following major governmental funds:

- The General Fund is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the Town that are not accounted for through other funds. For the Town, the General Fund includes such activities as public safety, maintenance of streets, public improvements, planning, zoning, and general administrative services.
- The Capital Projects Fund is used to account for the expenditures of most capital projects undertaken by the Town. This fund receives transfers of resources from various Town funds or outside sources.

TOWN OF TRUCKEE, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

**NOTE 1: FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

- The Town Hall Bond Reserve Fund is used to hold the balance of reserve accounts and monies held in escrow for outstanding Town-issued debt.
- The Measure R Trails Fund is a special revenue fund used to account for revenue and expenditures related to a ¼ percent sales tax, passed in June of 2014. The revenues generated by this sales tax are collected for use in trail construction and maintenance within the Town boundaries. The Town presents this fund as a major fund for increased transparency.
- The Traffic Impact Fees Fund is a special revenue fund used to account for traffic impact fee revenues and the associated expenditures. The impact fees are collected along with permitting fees for specific development projects in the Town and are used to offset the traffic impacts on existing Town roads caused by the new development.
- The Debt Service Fund is a special revenue fund used to track payment of debt principal and interest on the Town's outstanding bonds. This fund receives transfers in of resources from other Town funds (primarily the General Fund) to meet the payment obligations.
- The Measure V Road Maintenance Fund is a special revenue fund used to account for Measure V sales tax revenue and the associated expenditures. Measure V use tax revenues are generated via a ½ percent sales tax. These funds are collected for use on road maintenance and related infrastructure within the Town. The Town presents this fund as a major fund for increased transparency.
- HOME Grant Fund is a special revenue fund used to account for activity of various HOME grant programs facilitated by the town to fund long-term down payment assistance loans for low/very low income housing units.
- The Town Special Service Area Fund funds are collected along with property tax in certain Town neighborhoods and are available for use on enhanced road and transportation related maintenance services within those areas.

The Town reports the following proprietary funds:

- The Parking Fund is an enterprise fund used to account for the operation of the Town's downtown parking facilities.
- The Transit Fund is an enterprise fund used to account for the operations of public transportation.
- The Solid Waste Fund is an enterprise fund used to account for regular garbage collection services, collection of yard waste, and recycling programs. Services are provided to residences and business on a user charge basis.
- The Building and Safety Fund is an enterprise fund used to account for the operations of the department in enforcing State and Town laws and regulations concerning the safety of structures.

The Town reports the following fiduciary fund:

- The Redevelopment Successor Agency (RSA) Fund is used to account for the activities of the former Truckee Redevelopment Agency formed in accordance with State law.

TOWN OF TRUCKEE, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

**NOTE 1: FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

D. Basis of Accounting and Measurement Focus

The government-wide and proprietary fund financial statements are reported using the economic resource focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property and sales tax, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from sales tax are recognized in the period in which the underlying transaction takes place. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligible requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Property and sales taxes, interest, certain state and federal grants, and charges for services are accrued when their receipt occurs within sixty days after the end of the accounting period so as to be both measurable and available. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financing sources

Operating expenses for proprietary enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fiduciary funds are used to account for assets held by the Town in a trustee capacity or as an agent for individuals, private organizations, other governments, or other funds. These funds share characteristics with both governmental and proprietary funds. Therefore, fiduciary funds use the measurements focus and basis of accounting most appropriate to their specific operations.

E. Cash and Cash Equivalents

For purposes of the accompanying statements of cash flows, the enterprise funds consider all highly liquid investments with a maturity of three months or less when purchased, and the various fund's equity in the Town's investment pool, to be cash equivalents.

F. Investments

The Town pools cash and investments of all funds except for amounts held by fiscal agent. Each fund's share in this pool is displayed in the accompanying financial statements as cash and investments. State statutes authorize the Town to invest its cash surplus in obligations of the U.S. treasury, agencies and instrumentalities, corporate bonds, medium term notes, bankers' acceptances, certificates of deposit, commercial paper, repurchase agreements, and the State of California Local Agency Investment Fund (LAIF). Investment income from pooled investments is allocated to all funds in the pool. Interest is allocated on the basis of average month end cash balance amounts for each fund as a percentage of the total balance. Income from non-pooled investments is recorded based on specific investments held by the fund. Interest income is recorded in the fund that earned the interest.

TOWN OF TRUCKEE, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

**NOTE 1: FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

The Town categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. Level 1 inputs are quoted prices in an active market for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The Town does not have any investments that are measured using Level 3 inputs. Cash deposits are reported at the carrying amount which reasonably estimates fair value.

Fair value measurements of the Town's investments in Agency, Commercial Paper, US Corporate and US Treasury totaled \$26,427,670 as of June 30th, 2018. They were valued based on Level 2 inputs.

G. Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include taxes, grants, loans and interest. Business-type activities report user fees and interest earnings as their major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as taxes, grants, interest, and other intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions that are collectible but not available are recorded as deferred inflows in the fund financial statements in accordance with the modified accrual basis of accounting, but not deferred in the government-wide financial statements in accordance with the accrual basis of accounting. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. User fee receivable and interest earnings compose the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

H. Interfund Transactions

Interfund transactions are reflected as loans, services provided or used, reimbursements, or transfers.

Loans reported as receivables and payables are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans) as appropriate and are subject to elimination upon consideration. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances". Advances between funds, as reported in the fund financial statements, are offset by a non-spendable fund balance account in applicable governmental funds to indicate that they are not available for appropriation and are not available financial resources.

Services provided or used, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses.

Reimbursements occur when the funds responsible for particular expenditures or expenses repay the funds that initially paid for them. Such reimbursements are treated as an adjustment to expenditures or expenses; that is an increase in expenditures or expenses in the reimbursing fund and a corresponding decrease in the expenditures or expenses in the reimbursed fund.

All other interfund transactions are treated as transfers. Transfers between governmental and proprietary funds are netted as part of the reconciliation to the government-wide presentation.

TOWN OF TRUCKEE, CALIFORNIA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2018

**NOTE 1: FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
 (CONTINUED)**

See Note 3 F on page 62 for details of interfund transactions, including receivables and payables at year-end.

I. Inventory and Prepaid Costs

Governmental fund inventories are recorded as expenditures at the time the inventory is purchased. The Town's inventory balance includes supplies used in the road maintenance, snow removal, and fleet divisions of the public works department. Change in the inventory balance is reported as a direct adjustment to public works expenditures.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid costs.

J. Loans Receivable

For the purposes of the fund financial statements, capital fund and special revenue fund expenditures relating to loans receivable arising from mortgage subsidy programs and other loan programs are charged to operations at the time of funding when the loans are recorded. Loans receivables include loans for which repayment is deferred or for which repayment may be forgiven, if certain terms or conditions of the loans are met.

K. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (i.e., roads, bridges, sidewalks) are defined by the Town as an asset with an expected life greater than one year and a cost greater than \$5,000.

Property, plant and equipment have been stated at actual cost. Infrastructure assets, including roads, have been stated at historical cost, beginning with fiscal 1997. Contributed capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset nor materially extend the life of the asset are not capitalized.

The accounting treatment of capital assets depends on whether the assets are used in operations accounted for in a governmental fund or in a proprietary fund, as well as whether or not they are reported in the government-wide or fund financial statements.

Government-Wide Financial Statements

In the government-wide financial statements, property, plant, and equipment assets are accounted for as capital assets.

Depreciation of all exhaustible capital assets (i.e., assets with a finite useful life) is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is recorded over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

<u>Depreciable Asset</u>	<u>Estimated Lives</u>
Equipment	4 – 25 years
Buildings & Improvements	25 – 60 years
Infrastructure	15 – 25 years

TOWN OF TRUCKEE, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

**NOTE 1: FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund at the time of acquisition. Capital assets used in proprietary fund operations are accounted for in the same manner as in the government-wide financial statements.

L. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position, or balance sheet, will sometimes report a section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position or fund balance that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditures) until that time.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

M. Long-Term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operation or proprietary fund operations, as well as whether the debt is reported in the government-wide or fund financial statements.

All long-term debt to be repaid from the governmental or business-type resources is reported as a liability in the government-wide financial statements. The long-term debt consists primarily of bonds payable and accrued compensated absences.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources. Payment of principal and interest is reported as an expenditure. The accounting for debt in the proprietary funds is the same in the fund financial statements as it is in the government-wide financial statements.

N. Compensated Absences

The Town's policy regarding compensated absences is to permit employees to accumulate a limited amount of earned but unused vacation leave, compensatory time, and sick time. The liability for these compensated absences is recorded as long-term debt in the government-wide financial statements. The current portion of this debt is estimated based on historical trends. In the governmental fund financial statements the expenditures and liabilities related to those obligations are recognized only when they mature. The Town includes its share of Medicare taxes payable on behalf of the employees as part of the accrual for compensated absences.

O. Pensions

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

TOWN OF TRUCKEE, CALIFORNIA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2018

**NOTE 1: FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
 (CONTINUED)**

P. Other Postemployment Benefits (OPEB)

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

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

Valuation Date June 30, 2016
 Measurement Date June 30, 2017
 Measurement Period July 1, 2016 to June 30, 2017

Q. Net Position/Fund Balances

The government-wide and business-type activity financial statements utilize a net position presentation. Net position is categorized as net investment in capital, restricted and unrestricted.

- Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- Restricted resources – Consists of resources with constraints placed on the use either by (i) external groups such as creditors, grantors, contributors, laws, or regulations of other governmental agencies; or (ii) law through constitutional provision or enabling legislation. Resources restricted for other purposes included \$5,749,502 restricted by enabling legislation (i.e., Measure V and R).
- Unrestricted resources – All other resources that do not meet the definition of “restricted” or “net investment in capital assets”.

When both restricted and unrestricted resources are available, unrestricted resources are depleted first before the restricted resources are used.

At June 30th, 2018, the Town had recorded restricted resources in governmental activities as follows:

Restricted for:	
Capital Projects	\$ 5,040,285
Debt Service	4,483,759
Grants, taxes, and fees	<u>23,383,892</u>
Total Restricted	<u>\$ 32,907,936</u>

Beginning in fiscal 2011, the Town implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provided clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following Classifications describe the relative strength of the spending constraints:

TOWN OF TRUCKEE, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

**NOTE 1: FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

- *Non-spendable* – Amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to remain intact. For the Town, these amounts include inventory and prepaid assets
- *Restricted* – Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws/regulations of another government.
- *Committed* – Amounts that can only be used for specific purposes determined by a formal action of the Town Council. The Town Council is the highest level of decision-making authority for the Town. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Council. The Town did not have any committed resources as of June 30th, 2018.
- *Assigned* – Amounts that do not meet the criteria to be classified as restricted or committed but are intended to be used for specific purposes. This intent can be expressed by the Town Council or by an official or body to whom the Town Council delegates authority.
- *Unassigned* – Amounts not included in other spendable classifications. Only in the General Fund can a positive amount be reported.

The Town Council establishes (and modified or rescinds) fund balance commitments with the passage of an ordinance or resolution. This is typically done through the adoption and amendment of the budget. Assigned fund balances are established by the Town Council through adoption or amendment of the budget for specific purpose (such as the purchase of fleet equipment, construction, litigation, pavement management, etc). When an expenditure is incurred for the purpose of which amounts in any of the unrestricted classifications of fund balance could be used, the Town considers committed amounts to be reduced first, followed by assigned amounts, and then unassigned amounts.

As of June 30th, 2018, restricted fund balances included:

- *Self-Insured Retention* – To reflect funds held to cover the deductible on the Town's self-insurance programs.
- *Special Revenue Fund Balances* – To reflect funds restricted to a specific purpose based on the nature of the fund.

As of June 30th, 2018, assigned fund balances in the following governmental funds included:

- *General Fund* – To reflect the Town Council's intention to set aside funds for general fund operation contingencies, litigation, designations related to long-term pavement management, to assist with economic development, for streetscaping construction, to assist with low-cost or workforce housing projects, acquisitions of open space, and capital facilities and improvement needs.
- *Fleet Replacement Fund* – To reflect the Town Council's intention to set aside funds for replacement of the Town's vehicle and equipment fleet based on the Town's fleet management plan.
- *CDBG Miscellaneous Income* – To reflect the Town Council's intention to set aside funds for housing related expenditures.

TOWN OF TRUCKEE, CALIFORNIA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2018

**NOTE 1: FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
 (CONTINUED)**

R. Property Tax Levy, Collection and Maximum Rates

The State of California's (State) Constitution Article XIII A provides that the combined maximum property tax rate at any given property may not exceed 1% of its assessed value unless an additional amount for general obligation debt has been approved by the voters. Assessed value is calculated at 100% of market value, as defined in Article XIII A, and may be adjusted by no more than 2% per year unless the property is sold or transferred.

The State Legislature has determined the method of distribution of receipts for the 1% tax levy among the county, cities, school districts and other special districts within each County.

The County of Nevada (County) assesses properties, bills for, and collects property taxes according to the following schedule:

	<u>Secured</u>	<u>Unsecured</u>
Valuation/Lien Date	January 1 st	January 1 st
Levy Date	January 1 st	January 1 st
Due Dates	November 1 st (1 st installment) February 1 st (2 nd installment)	July 1 st
Delinquent Dates	December 10 th (1 st installment) April 10 th (2 nd installment)	August 31 st

The term "unsecured" refers to taxes on personal property other than land or buildings. These taxes are secured by liens on the property being taxed. Property tax revenues are recognized in the fiscal year for which they are levied, provided they are due and collected within sixty days after the fiscal year-end.

The County of Nevada apportions secured property tax revenue in accordance with the alternate methods of distribution, the "Teeter Plan", as prescribed by Section 4717 of the California Revenue and Taxation Code. Therefore, the Town receives 100% of the secured property tax levies to which it is entitled, whether or not collected. Unsecured delinquent taxes are considered fully collectible.

S. Grant Revenues

Certain grant revenues are recognized when specific related expenditures have been incurred. In other grant programs, monies are virtually unrestricted as to purpose of expenditures and are only revocable for failure to comply with prescribed compliance requirements. These revenues are recognized at the time of receipt, or earlier if accrual criteria are met. Cash received prior to the incurrence of related expenses is recorded as unearned revenue.

T. Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

- Government Funds – By Character
 - Current (further classified by function)
 - Debt Service
 - Capital Outlay
- Proprietary Fund – By Operating and Non-Operating

TOWN OF TRUCKEE, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

**NOTE 1: FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

U. Estimates

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

V. Future Government Accounting Standards Board (GASB) Statement Implementation

The following GASB statements are not effective until July 1st, 2018 or later. The Town has not determined the effects of these statements on the financial statements.

Government Accounting Standards Board Statement No. 83

In November of 2016, GASB issued Statement No. 83, Certain Asset Retirement Obligations. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The City has not determined what impact, if any, this pronouncement will have on the financial statements. Application of this statement is effective for the City's fiscal year ending June 30, 2019.

Government Accounting Standards Board Statement No. 84

In January of 2017, GASB issued Statement 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The general focus of the criteria is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and post-employment benefit arrangements that are fiduciary activities. The Town has not determined what impact, if any, this pronouncement will have on the financial statements. Application of this statement is effective for the Town's fiscal year ending June 30th, 2020.

Government Accounting Standards Board Statement No. 87

In June of 2017, GASB issued Statement 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Town has not determined what impact, if any, this pronouncement will have on the financial statements. Application of this statement is effective for the Town's fiscal year ending June 30th, 2021.

TOWN OF TRUCKEE, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

**NOTE 1: FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Government Accounting Standards Board Statement No. 88

In March 2018, GASB issued Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements. The objective of this statement is to clarify which liabilities governments should include in their note disclosures related to debt. GASB is requiring debt borrowings and direct placements to be presented separately because they may expose a government to risks that are different from, or in addition to, risks related to other types of debt. The new standard also requires the disclosure of additional essential debt-related information for all types of debt, including amounts of unused lines of credit and assets pledged as collateral for debt. Also required to be disclosed are terms specified in debt agreements related to: (1) significant events of default with finance-related consequences, (2) significant termination events with finance-related consequences, (3) significant subjective acceleration clauses. The Town has not determined what impact, if any, this pronouncement will have on the financial statements. Application of this statement is effective for the Town's fiscal year ending June 30, 2020.

Government Accounting Standards Board Statement No. 89

In June 2018, GASB issued Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period. This statement requires interest costs incurred before the end of a construction period to be recorded as an expenditure in the applicable period. As a result, interest costs incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The Town has not determined what impact, if any, this pronouncement will have on the financial statements. Application of this statement is effective for the Town's fiscal year ending June 30, 2021.

Government Accounting Standards Board Statement No. 90

In August 2018, GASB issued Statement No. 90, Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61. The purpose of this statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The new standard clarifies the differences between a majority equity interest reported as an investment and majority equity interest reported as a component unit of the governmental entity. The Town has not determined what impact, if any, this pronouncement will have on the financial statements. Application of this statement is effective for the Town's fiscal year ending June 30, 2020.

W. Current GASB Implementation

Government Accounting Standards Board Statement No. 75

In June of 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for other post-employment benefits (OPEB) (not including pensions) and would replace GASB statements 45 and 57. Statement 75 establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to OPEB. Application of this statement is effective for the Town's fiscal year ended June 30th, 2018.

Government Accounting Standards Board Statement No. 85

In March 2017, GASB issued Statement No. 85, *Ominbus 2017*. The objective of this statement is to address practice issues that have been identified during implementation and application of certain GASB statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). Application of this statement is effective for the Town's fiscal year ended June 30th, 2018.

TOWN OF TRUCKEE, CALIFORNIA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2018

**NOTE 1: FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
 (CONTINUED)**

Government Accounting Standards Board Statement No. 86

In May of 2017, GASB issued Statement 86, Certain Debt Extinguishment Issues. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The Town did not have irrevocable trusts as of June 30, 2018

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Deficit Fund Balance/Net Position

The Following funds had a deficit fund balance at June 30th, 2018:

Non-Major Governmental Funds:

The 15-CDBG-10566 fund had a fund balance deficit of \$3,179 which was due to uncollected loan payments on an outstanding grant funded loan during the fiscal year.

B. GANN Spending Limit

Under Article XIII B of the California Constitution (the GANN Spending Limitation), the Town is restricted as to the amount of annual appropriations from proceeds of taxes, and of proceeds of taxes allowed appropriations. The excess must either be refunded to the State Controller or returned to the taxpayers through revised tax rates, revised tax schedules, or other refund arrangements.

For fiscal years ended June 30th, 2008 forward, the Gann Limit Calculation was calculated, based upon the advice of legal counsel, to exclude police and animal control expenses from the appropriations subject to the limit.

NOTE 3: DETAILED NOTES

A. Cash and Investments

Total cash and investments are presented on the Town’s financial statements as follows:

Governmental Activities:	
Unrestricted Cash and investments	\$ 61,982,672
Restricted Cash and investments	4,411,817
Total Governmental Cash and investments	66,394,489
Business-Type Activities	4,469,767
Total Cash and Investments	\$ 70,864,256

TOWN OF TRUCKEE, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 3: DETAILED NOTES (CONTINUED)

Total cash and investments of the Town at fair value are comprised of the following:

Cash and Deposits:	
Cash on hand	\$ 900
Deposits in Town's depository institutions (less outstanding checks)	1,454,157
Deposits with fiscal agents	325,119
Total Cash and Deposits	1,780,176
Investments:	
In Town's pool	64,997,382
With fiscal agents	4,086,698
Total Investments	69,084,080
Total Cash and Investments	\$ 70,864,256

Deposits

The State of California Government Code requires California banks, savings, and loan associations to collateralize a town's deposits by pledging government securities. The market value of pledged securities must equal at least 110% of a town's deposits. California law allows financial institutions to collateralize Town deposits by pledging first trust deed mortgage notes having a value of 150% of a Town's total deposits. The Town may waive collateral requirements for deposits which are fully insured up to the \$250,000 Federal Deposit insurance amount.

At year end, the carrying amount of the Town's cash deposits (including only checking accounts and money market accounts) was \$1,780,175 and the bank balance was \$1,791,733. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit. Of the bank balance, including bond trust funds, \$970,013 was covered by federal deposit insurance and \$821,720 was uninsured and collateralized (i.e., collateralized with securities held by the pledging financial institution at 110% of the deposits, in accordance with the State of California Government Code, deemed to be held in the Town's name).

Investments

The Town adopts an investment policy annually. Authorized investments include:

Investment Category	Standard
U.S. Government (Agency) Securities	5 years
Federal Agency Obligations	35% per issuer; <5 years
Banker's Acceptances	A-1/P-1/F-1 rated; 40% maximum; 5% per Issuer; <180 days
Commercial Paper	A-1/P-1/F-1 rated; and >A-rated long term ratings; 25% maximum; 5% per issuer; <270 days
Negotiable CDs	>A-rated; 30% maximum; 5% per issuer; <270 days
CDs and Time Deposits	30% maximum; 5% per issuer; <5 years
Passbook Deposits	<1 year
Medium Term Notes	>A-rated; 30% maximum; 5% per issuer; <5 years
Money Market Funds	AAA/Aaa rated; assets greater than \$500MM; 20% maximum; 10% per issuer
Mortgage Pass	>AA-rated; 20% maximum; <5 years
Municipal Securities	>A-rated issuer; 5% maximum; >5 years
Repurchase Agreements	A rated primary dealers; 30% maximum; <1 year
Supranationals	>AA-rated; 30% maximum; 30% per issuer; >5 years
LAIF	No limitations

TOWN OF TRUCKEE, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 3: DETAILED NOTES (CONTINUED)

As of June 30th, 2018, the Town had the following investments:

Investment Category	Maturities			Fair Value	Weighted Average Maturity (Years)
	0 - 1 year	1 - 5 years	Over 5 years		
U.S. Government Agency Securities	\$ 4,177,606	\$ 14,496,534	\$ -	\$ 18,674,139	0.49
Medium Term Notes	4,179,118	3,574,413	-	7,753,531	0.14
Local Agency Investment Fund (LAIF)	42,656,410	-	-	42,656,410	-
Total Investments	\$ 51,013,134	\$ 18,070,947	\$ -	\$ 69,084,080	0.15

Interest Rate Risk

Interest rate risk is the risk of loss due to a decrease in the fair value of an investment caused by rising interest rates. In general, the longer the amount of time to maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. All investments of the Town are invested in accordance with the investment policy of the Town. Of the Town's \$69,084,080 investment portfolio, over 73 percent of the investments have a maturity of one year or less. Of the remainder, none have a maturity of more than five years. The Town had no investments that were highly sensitive to interest rate fluctuations as of June 30th, 2018.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law and the Town's investment pool policy limit investments in commercial paper to the rating of A-1 by Standards & Poors or P-1 by Moody's Investor Service. These ratings indicate that an obligor has a very strong capacity to meet its financial commitments. State law also limits investments in corporate bonds to the rating A by both Standards & Poor's and Moody's Investors Service. The Town does not have credit limits on U.S. Government Securities or U.S. Government Agency Securities which are considered to be risk free.

<u>Investments at June 30, 2018</u>	<u>Standard & Poor's</u>	<u>% of Portfolio</u>
Federal Home Loan Mortgage Corporation	AA+	4.3%
Federal Home Loan Bank	AA+	5.0%
Federal National Mortgage Association	AA+	3.1%
Federal Farm Credit Bank	AA+	0.9%
US Treasury	TSY	14.1%
ABS	AAA	1.0%
ABS	N/R	1.0%
Commercial Paper	A-1+	0.6%
Negotiable CD	A-1	0.6%
Negotiable CD	A-1+	0.5%
Corporate Obligations	A	1.8%
Corporate Obligations	A+	2.5%
Corporate Obligations	A-	0.8%
Corporate Obligations	AA	0.5%
Corporate Obligations	AA-	0.9%
Corporate Obligations	AA+	0.5%
Corporate Obligations	AAA	0.5%
LAIF	Unrated	61.4%
Total		100.0%

TOWN OF TRUCKEE, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 3: DETAILED NOTES (CONTINUED)

Custodial Credit Risk

Custodial credit risk is the risk of loss associated with holding investments that are not covered by depository insurance. At year end, the Town did not participate in any repurchase agreements or securities lending that would result in any possible risk in this area.

Concentration of Credit Risk

Concentration of credit risk occurs when a company has a significant portion of its investment portfolio invested with one company. Over 27 percent of the Town's investments at year-end are in U.S. Government or Agencies issues. There is no limitation on the amounts invested in these types of issues as they are considered to have no risk. Of the 9.3 percent of the portfolio invested in corporate notes and money market funds, no investment in a single issuer exceeds 0.6 percent.

Investment in Local Agency Investment Fund (LAIF)

The Town is a voluntary participant in the State of California LAIF that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the Town's investment in this pool is reported in the accompanying financial statements at amounts based upon the Town's share of the fair value provided by LAIF for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

As of June 30th, 2018, the Town's investment position in the LAIF was \$42,656,410. The total amount invested by all public agencies in LAIF on that day was \$88,817,956,137. Of that amount, 97.33% is invested in non-derivative financial products and 2.67% in structured notes and asset backed securities.

Investments, including derivative instruments that are not hedging derivatives, are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. Investments' fair value measurements at June 30th, 2018 are as follows:

Investment Category	Fair Value Measurement Using			
	Fair Value	Level 1 Assets	Level 2 Assets	Level 3 Assets
US Government & Agency Securities	\$ 18,674,140	\$ -	\$ 18,674,140	\$ -
Commercial Paper	451,392	-	451,392	-
Miscellaneous	7,302,138	-	7,302,138	-
Subtotal	\$ 26,427,670	\$ -	\$ 26,427,670	\$ -
LAIF	42,656,410			
Total Investments	\$ 69,084,080			

Debt and equity securities categorized as Level 1 are valued based on prices quoted in active markets for those securities. Debt securities categorized as Level 2 are valued using a matrix pricing technique that values securities based on their relationship to benchmark quoted prices.

TOWN OF TRUCKEE, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 3: DETAILED NOTES (CONTINUED)

B. Loans Receivable

The loans receivable balance includes notes for down payment assistance and for the purchase of land and construction of the Frishman Hollow, Henness Flats and Sierra Pines low/very low income housing complexes. Loans were funded by various grants and developer contributions.

Loans in the governmental funds are treated as expenditures in the year advanced and as revenue in the year repayment is made measureable and available. Loans receivables are recorded in the fund statements but are reported as deferred inflows of resources to indicate that they do not represent current financial resources. In the government-wide statements, loans receivable are recorded at their net realizable value.

C. Capital Assets

Capital asset activity for the year ended June 30th, 2018 was as follows:

Governmental Activities	Balance July 1, 2017	Additions	Retirements	Transfers	Balance June 30, 2018
Capital Assets, Not Being Depreciated:					
Land	\$ 7,165,160	\$ -	\$ -	\$ -	\$ 7,165,160
Right of Way	51,261,165	1,237,190	-	-	52,498,355
Construction in Progress	11,645,445	8,305,802	-	(8,094,406)	11,856,841
Total Capital Assets, Not Being Depreciated	70,071,770	9,542,992	-	(8,094,406)	71,520,356
Capital Assets, Being Depreciated:					
Buildings & Improvements	30,286,659	524,538	(54,435)	1,045,346	31,802,108
Equipment	19,224,867	3,159,830	(1,448,768)	-	20,935,929
Infrastructure	91,886,159	416,778	-	7,049,060	99,351,997
Total Capital Assets, Being Depreciated	141,397,685	4,101,146	(1,503,203)	8,094,406	152,090,034
Less Accumulated Depreciation For:					
Buildings & Improvements	(5,874,289)	(709,299)	50,643	-	(6,532,945)
Equipment	(12,210,216)	(1,109,213)	1,437,687	-	(11,881,742)
Infrastructure	(35,258,136)	(5,090,225)	-	-	(40,348,361)
Total Accumulated Depreciation	\$ (53,342,641)	\$ (6,908,737)	\$ 1,488,331	\$ -	\$ (58,763,048)
Total Capital Assets, Being Depreciated, Net	\$ 88,055,044	\$ (2,807,591)	\$ (14,872)	\$ 8,094,406	\$ 93,326,986
Governmental Activities Capital Assets, Net	\$ 158,126,814	\$ 6,735,401	\$ (14,872)	\$ -	\$ 164,847,342
Business-Type Activities	Balance July 1, 2017	Additions	Retirements	Transfers	Balance June 30, 2018
Capital Assets, Being Depreciated:					
Buildings & Improvements	\$ 410,764	\$ -	\$ (42,020)	\$ -	\$ 368,744
Equipment	1,377,638	7,657	(197,291)	-	1,188,004
Total Capital Asset, Being Depreciated	1,788,402	7,657	(239,311)	-	1,556,748
Less Accumulated Depreciation For:					
Buildings & Improvements	(196,278)	(17,904)	41,502	-	(172,679)
Equipment	(853,276)	(79,394)	195,994	-	(736,676)
Total Accumulated Depreciation	\$ (1,049,553)	\$ (97,298)	\$ 237,496	\$ -	\$ (909,355)
Total Capital Assets, Being Depreciated, Net	\$ 738,849	\$ (89,641)	\$ (1,815)	\$ -	\$ 647,393
Business-Type Activities Capital Assets, Net	\$ 738,849	\$ (89,641)	\$ (1,815)	\$ -	\$ 647,393

TOWN OF TRUCKEE, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 3: DETAILED NOTES (CONTINUED)

Depreciation

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 456,259
Public Safety	315,081
Public Works	6,137,397
Total Depreciation Governmental Functions	<u>\$ 6,908,737</u>

Depreciation expense was charged to the business-type functions as follows:

Parking	\$ 9,971
Transit	68,819
Solid Waste	133
Building & Safety	18,375
Total Depreciation Business Functions	<u>\$ 97,298</u>

Construction in Progress

Construction in progress represents the expenditures to date on large capital assets that were not fully complete at year end. Construction in progress for the Town's governmental activities relates primarily to work performed on the Brickelltown Streetscape Improvement, Envision Donner Pass Road Western segment project, Donner Pass Road corridor improvement project, Donner Pass Road pedestrian improvement, and phase 4 of the Truckee River Trail. The majority of the transfer from construction in progress to completed capital assets for fiscal year 2018 is due to the completion of the Glenshire/Dorchester paving and widening, Brockway Road corridor improvement, and 2016 recessed striping projects.

D. Long-Term Liabilities

The following summary includes all long-term liability activity for the year ended June 30th, 2018:

	Balance July 1, 2017	Additions/ Adjustments	Retirements	Balance June 30, 2018	Amounts Due Within One Year
Governmental Activities					
Lease Revenue Bonds	\$ 8,603,000	\$ 4,265,000	\$ (436,000)	\$ 12,432,000	\$ 379,000
Less: Unamortized Discount	(47,679)	-	2,306	(45,374)	(2,306)
Add: Unamortized Premium	-	233,662	(7,906)	225,756	10,541
Lease Revenue Bonds, Net	<u>8,555,321</u>	<u>4,498,662</u>	<u>(441,600)</u>	<u>12,612,382</u>	<u>387,236</u>
Compensated Absences (Note 1N)	<u>1,261,706</u>	<u>1,216,527</u>	<u>(1,177,016)</u>	<u>1,301,216</u>	<u>113,773</u>
Total Governmental Activities - Long-term Liabilities	<u>\$ 9,817,027</u>	<u>\$ 5,715,189</u>	<u>\$ (1,618,616)</u>	<u>\$ 13,913,598</u>	<u>\$ 501,009</u>
Business-Type Activities					
Compensated Absences (Note 1N)	\$ 73,366	\$ 98,551	\$ (76,255)	\$ 95,663	\$ 21,775
Total Business-Type Activities - Long-term Liabilities	<u>\$ 73,366</u>	<u>\$ 98,551</u>	<u>\$ (76,255)</u>	<u>\$ 95,663</u>	<u>\$ 21,775</u>

TOWN OF TRUCKEE, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 3: DETAILED NOTES (CONTINUED)

As of June 30th, 2018 lease revenue bonds consisted of the following:

	Governmental Activities
Lease Revenue Bonds Series 2009, dated September 8, 2009, in the amount of \$1,645,000 (Series 2009A) and \$3,355,000 (Series 2009B) for a total issue of \$5,000,000, payable in annual installments of \$95,000 to \$290,000. Series 2009A interest rate of 2.00% to 4.65% and mature on December 1, 2039 and Series 2009B Build America Bonds (Taxable) interest rate of 7.70% to 7.90% prior to 35% United States Treasury subsidy (net rates of 5.01% to 5.145%), maturing December 1, 2039. Proceeds from Lease Revenue Refunding Bonds Series 2017 will be used to call the Series 2009 Bonds at the call date of December 1, 2019 at which point the debt will be extinguished and removed from the government-wide statement of net assets.	4,170,000
Lease Revenue Refunding Bonds Series 2015 of \$ 4,645,000, payable in annual installments of \$75,000 to \$365,000. Series 2015 interest rate of 2.823% mature November 1, 2030.	4,062,000
Lease Revenue Refunding Bonds Series 2017 of \$4,265,000, payable in annual installments of \$65,000 to \$265,000. Series 2017 true interest cost of 2.84% matures December 1, 2039.	4,200,000
Total Lease Revenue Bonds	\$ 12,432,000

On September 20, 2017, the Town issued lease revenue financing bonds in the amount of \$4,265,000 with a final maturity on December 1, 2039 and a true interest cost of 2.84% for a crossover refunding of Lease Revenue Bonds Series 2009. The 2009 Bonds will be called on December 1, 2019.

The annual aggregate maturities, including the call of the Series 2009 Bonds on December 1, 2019, for years subsequent to June 30th, 2018 are as follows:

Lease Revenue Bonds	Governmental Activities				
Year Ended June 30	Principal	Gross Interest Revenue Bonds	Less US Treasury Subsidy	Net Interest Revenue Bonds	Total Principal & Net Interest
2019	\$ 379,000	\$ 553,081	\$ (92,087)	\$ 460,994	\$ 649,771
2020	\$ 4,323,000	\$ 397,033	\$ (46,043)	\$ 350,989	\$ 4,673,989
2021	\$ 430,000	\$ 239,331	\$ -	\$ 239,331	\$ 669,331
2022	\$ 443,000	\$ 225,103	\$ -	\$ 225,103	\$ 668,103
2023	\$ 460,000	\$ 210,360	\$ -	\$ 210,360	\$ 670,360
2024 - 2028	\$ 2,528,000	\$ 800,403	\$ -	\$ 800,403	\$ 3,328,403
2029 - 2033	\$ 2,144,000	\$ 385,183	\$ -	\$ 385,183	\$ 2,529,183
2034 - 2038	\$ 1,205,000	\$ 173,425	\$ -	\$ 173,425	\$ 1,378,425
2039 - 2043	\$ 520,000	\$ 16,406	\$ -	\$ 16,406	\$ 536,406
Total	\$ 12,432,000	\$ 3,000,324	\$ (138,130)	\$ 2,862,193	\$ 15,103,970

Bonds are refunded to retire all or a portion of an outstanding bond issue. Most typically, a refunding is done to refinance at a lower interest rate to reduce overall debt service. Certain issues of refunding bonds may be issued to refund other bonds at the future call date, known as crossover refunding.

TOWN OF TRUCKEE, CALIFORNIA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2018

NOTE 3: DETAILED NOTES (CONTINUED)

For the crossover refunding, the Town entered into an escrow agreement whereby the proceeds from the lease revenue refunding bonds were converted into U.S. government securities. These securities were placed with an escrow agent to pay a portion of the interest on the refunded debt (old debt) until the crossover refunding date of December 1, 2019. On the crossover refunding date, the refunded lease revenue debt (old debt) will be paid using the amounts held by the escrow agent. The transactions and balances of the escrow account are recorded by the Town since the refunded debt is not considered extinguished.

On September 20, 2017, the Truckee Public Financing Authority issued lease revenue refund financing in the amount of \$4,265,000. This financing, which matures in 2039, is secured by the Town of Truckee Public Service Center and carry a true interest cost of 2.842%. These bonds reduced the present value of future debt service payments. The savings were available due to improved municipal bond market conditions (i.e., lower interest rates) during the year. The effect of the refunding is summarized as follows (in thousands):

Title and Series	Lease Revenue Refunding Bonds Series 2017
Closing Date	September 20, 2017
Net Interest Rate	2.842%
Refunding Bond Issued	\$4,265,000
Economic Gain on Refunding	\$519,920
Number of Years Affected	22

The refunding was undertaken to reduce total debt service payments over the next 22 years by \$688,670, and resulted in an economic gain of \$519,920 after administrative costs.

E. Leases

Operating Leases

Rental expenses incurred under operating leases are not considered material.

F. Interfund Transfers

Due To/Due From Other Funds

Operating receivables and payables between funds are classified as due from or due to the General Fund. Amounts due from other funds include amounts due from other funds for loans to fund negative cash balances.

	Due From Other Funds	Due to Other Funds
General Fund	\$ 2,285	\$ -
15-CDBG-10566 Fund	-	2,285
Total	\$ 2,285	\$ 2,285

TOWN OF TRUCKEE, CALIFORNIA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2018

NOTE 3: DETAILED NOTES (CONTINUED)

Transfers

Transfers are indicative of funding for or purchase of capital projects, lease payments or debt service, and reallocations of special revenues. The following are the interfund transfers for the year ended June 30th, 2018:

	Transfers In	Transfers Out
General Fund	\$ 2,369,812	\$ 4,731,636
Capital Projects Fund	9,462,416	-
Town Hall Bond Reserve Fund	4,312,667	200,424
Measure R Trails Fund	-	297,229
Traffic Impact Fees Fund	-	2,083,625
Debt Service Fund	953,411	4,400,857
Measure V Road Maintenance Fund	-	2,770,817
Town Special Areas Fund	-	149,961
Other Governmental Funds	194,107	2,732,568
Parking Fund	36,705	-
Transit Fund	45,654	-
Building and Safety Fund	-	7,657
	\$ 17,374,772	\$ 17,374,772

NOTE 4: EMPLOYEE'S RETIREMENT PLAN

A. Pension Plan

General Information about the Pension Plan

Plan Description – All qualified regular and probationary employees are eligible to participate in the Town's Safety (sworn police) or Miscellaneous (all other employees) Employee Pension Plan (the Plan), cost-sharing, multiple employer defined benefit pension plan administered by the California Public Employee's Retirement System (CalPERS). Benefit provisions under the Plan are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information. The reports can be found on the CalPERS website.

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with or without statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is the Optional Settlement 2W Death Benefit. The cost of living adjustments are applied as specified by the California Public Employee's Retirement Law (PERL). The 2.7% at 55 Miscellaneous Plan and the 3.0% at 50 Safety Plan are closed to new entrants.

TOWN OF TRUCKEE, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 4: EMPLOYEES RETIREMENT PLAN (CONTINUED)

The Plans provisions and benefits in effect at June 30th, 2018 are summarized below:

Hire Date	Miscellaneous		
	Prior to July 1, 2011 "Tier 1"	July 1, 2011 to December 31, 2012 "Tier 2"	After December 31, 2012 "Tier 3"
Benefit Formula	2.7% @ 55	2.5% @ 55	2.0% @ 62
Benefit Vesting Schedule	5 years service	5 years service	5 years service
Benefit Payments	monthly for life	monthly for life	monthly for life
Retirement Age	50-55	50-55	52 and up
Monthly Benefits, as a % of eligible compensation	2.0% to 2.7%	2.0% to 2.5%	1.0% to 2.5%
Required Employee Contribution Rates	8%	8%	6.5%
Required Employer Contribution Rates	12.47%	10.28%	6.91%

Hire Date	Safety		
	Prior to July 1, 2011 "Tier 1"	July 1, 2011 to December 31, 2012 "Tier 2"	After December 31, 2012 "Tier 3"
Benefit Formula	3.0% @ 50	3.0% @ 55	2.7% @ 57
Benefit Vesting Schedule	5 years service	5 years service	5 years service
Benefit Payments	monthly for life	monthly for life	monthly for life
Retirement Age	50 and up	50 and up	50 and up
Monthly Benefits, as a % of eligible compensation	3.0%	2.4% to 3.0%	2.0% to 2.7%
Required Employee Contribution Rates	9%	9%	12.25%
Required Employer Contribution Rates	21.42%	18.49%	12.73%

Funding Policy

The Plan requires employee contributions equal to some percentage of the employee's annual covered salary. The Town has a variety of agreements regarding these employee contributions to the CalPERS retirement program. Section 20814 (c) of the PERL requires that the employer contribution rates for all public employers determined on an annual basis by the actuary, be effective on the July 1st following notice of a change in the rate. Contributions for the Plan are determined annually on an actuarial basis as of June 30th each year, by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Town is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30th, 2018 the contributions to the plan were \$1,597,901.

TOWN OF TRUCKEE, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 4: EMPLOYEES RETIREMENT PLAN (CONTINUED)

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30th, 2018 the Town reported a net pension liability for its proportionate share of the net pension liability of the Plan as follows:

<u>Proportionate Share of the Net Pension Liability</u>	
<u>Fiscal Year Ending</u>	
June 30, 2018	June 30, 2017
\$12,720,474	\$10,761,789

The Town's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30th, 2017, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30th, 2016 rolled forward to June 30th, 2017 using standard update procedures. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contribution to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Town's proportionate share of the net pension liability for the Plan as of June 30th, 2016 and June 30th, 2017 was as follows:

	<u>Percentage Share of Risk Pool</u>		
	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>Change</u>
Measurement Date	6/30/2017	6/30/2016	
Percentage of Plan Net Pension Liability	0.128266%	0.124369%	0.003897%

For the year ended June 30th, 2018 the Town recognized a pension expense of \$3,058,194. At June 30th, 2018 the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ 2,269	\$ 139,628
Changes in assumptions	2,200,873	168,113
Net differences between projected and actual earnings on plan investments	492,670	
Changes in employer's proportion	1,075,564	58,721
Differences between the Employer's contributions and the Employer's proportionate share of contributions	260,811	
Pension contribution subsequent to measurement date	1,597,901	
Total	\$ 5,630,088	\$ 366,462

TOWN OF TRUCKEE, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 4: EMPLOYEES RETIREMENT PLAN (CONTINUED)

The \$1,597,901 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30th, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended	Amount
June 30	Amount
2019	\$ 1,381,064
2020	1,577,669
2021	998,329
2022	(291,337)
2023	-
Thereafter	-

Actuarial Assumptions

The total pension liabilities in the June 30th, 2017 actuarial valuations were determined using the following actuarial assumptions:

	<u>Assumptions</u>
Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.750%
Projected Salary Increase	Varies by Entry Age & Service
Investment Rate of Return	7.15% net of pension plan investment and administrative expenses; includes inflation
Mortality	Derived using CalPERS membership data for all funds
Cost of Living Adjustment (COLA)	Contract COLA up to 2.75% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter

(1) The mortality table used was developed based on CalPERS specific data. The Table includes 20 years of mortality improvements using the Society of Actuaries Scale BB. For more details please refer to the Experience Study Report.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30th, 2016 valuation were based on results of a January 2014 actuarial experience study for the period 1997 to 2011 completed by CalPERS. Further details of the Experience Study can be found on the CalPERS website.

Changes in Assumptions

In fiscal 2017, the financial reporting discount rate was lowered from 7.65 percent to 7.15 percent. In December of 2016, the CalPERS Board approved lowering the funding discount rate used from 7.50 percent to 7 percent, which is to be phased-in over a three-year period (7.50 percent to 7.35 percent, 7.35 percent to 7.25 percent, and 7.25 percent to 7.00 percent) beginning with the June 30th, 2016 valuation reports. The funding discount rate includes a 15 basis-point reduction for administrative expenses, and the remaining decrease is consistent with the change in financial reporting discount rate.

TOWN OF TRUCKEE, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 4: EMPLOYEES RETIREMENT PLAN (CONTINUED)

Allocation amongst Town Funds

The net pension liability has been allocated to the Town's enterprise funds based on their relative annual required pension contributions.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent and reflects the long-term expected rate of return for the Plan net of investment expenses and without reduction for administrative expenses. To determine whether the municipal bond rate should be used in the calculation of the discount rate, the amortization and smoothing periods adopted by the Board in fiscal 2013 were used. For the Plan, the crossover test was performed on a miscellaneous plan and a safety plan that were considered as being more at risk of failing the crossover test and result in a discount rate that would be different from the long-term expected rate of return on pension investments. Based on the testing of those plan investments, the tests revealed that the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Plan. The crossover test results can be found on the CalPERS' website at <https://www.calpers.ca.gov/page/employers/actuarial-services/gasb>.

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

In determining the long-term expected real rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund (Public Employee's Retirement Fund) cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using the building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The following table reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown below was adopted by the CalPERS Board effective July 1st, 2014. A new asset allocation was adopted in December of 2017 and will be effective for fiscal 2019 and later.

Asset Class	New Strategic Allocation	Real Return Years 1-10(a)	Real Return Years 11+ (b)
Global Equity	51%	5.25%	5.71%
Global Fixed Income	20%	0.99%	2.43%
Inflation Sensitive	6%	0.45%	3.36%
Private Equity	10%	6.83%	6.95%
Real Estate	10%	4.50%	5.13%
Infrastructure and Forestland	2%	4.50%	5.09%
Liquidity	1%	-0.55%	-1.05%
Total	<u>100%</u>		

(a) An expected inflation rate of 2.5% was used for this period

TOWN OF TRUCKEE, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 4: EMPLOYEES RETIREMENT PLAN (CONTINUED)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Town's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using the discount rate that is one percentage point lower or one percentage point higher than the current rate.

	Discount Rate	Current Discount Rate	Discount Rate
Net Pension Liability (Asset)	-1% (6.15%)	(7.15%)	+1% (8.15%)
Measurement Date		June 30, 2017	
Fiscal Year End		June 30, 2018	
Net Pension Liability	\$ 19,979,746	\$ 12,720,474	\$ 6,730,456

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

B. Deferred Compensation 457 Plan

The Town maintains deferred compensation plans for its employees. These plans were created in accordance with the Internal Revenue Service's Code Section 457. They are available to all regular Town employees and permit them to defer a portion of their salary until future years. The deferred compensation is not available to the employees for withdrawal until termination, retirement, death or unforeseen emergency. The Town has no liability for losses for these plans but does have the duty of due care that would be required of an ordinary and prudent investor. The Town has not reflected these plan's assets or corresponding liabilities (if any) on the accompanying financial statements.

C. Other Post Retirement Benefits (OPEB)

Plan Description

The Town has established a Retiree Healthcare Plan (HC Plan), and participates in an agent multiple-employer defined benefit retiree healthcare plan. The HC Plan provides employees who retire directly from the Town, at a minimum age of 50, with a minimum of five years of service, the Public Employees' Medical and Hospital Care Act (PEMHCA) minimum benefit under the "unequal method". The monthly PEMHCA minimum contribution for active employees in 2018 is \$133 and projected to be \$136 in 2019. The Town's payment toward retiree premiums is the minimum monthly amount permitted under PEHMCA, which is not less than 5 percent of the active contribution times the number of years the Town has been in PEHMCA. The Town joined PEMHCA in 2012. The Town's contribution for retirees is \$39.90 in 2018 and projected to be \$47.60 in 2019. Surviving spouses of retirees who elect the survivorship benefit are also eligible for this benefit. A separate financial report is not prepared for the HC Plan.

Employees Covered

As of the June 30, 2017 actuarial valuation, the following current and former employees were covered by the benefit terms under the HC Plan:

	Number of Covered Employees at June 30, 2017
Inactives receiving benefits	8
Inactives entitled to benefit payments	37
Active employees	112
Total	157

TOWN OF TRUCKEE, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 4: EMPLOYEES RETIREMENT PLAN (CONTINUED)

Contributions

The HC Plan and its contribution requirements are established by Memoranda of Understanding with the applicable employee bargaining units and may be amended by agreements between the Town and the bargaining units. The annual contribution is based on the actuarially determined contribution. In Fiscal Year 2012, the Town created a trust with California Employers' Retiree Benefit Trust (CERBT) for the purpose of prefunding obligations for past services. For the fiscal year ended June 30, 2018, the contributed \$122,841 cash to the trust, \$4,796 cash for retiree health insurance. The estimated implied subsidy was \$16,613. Payments for the HC Plan totaled \$144,250.

An implied subsidy exists when the premium for a group of retirees is determined by aggregating their experience with active employees.

Net OPEB Liability

The Town's net OPEB liability was measured as of June 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2017, based on the following actuarial methods and assumptions:

Actuarial Assumption	June 30, 2017 Measurement Date
Discount Rate	Discount rate based on Crossover Test - 5.5% at June 30, 2017 - 5.5% at June 30, 2016
Long-Term Expected Rate of Return on Investments	- 5.5% at June 30, 2017, net of investment expenses - 5.5% at June 30, 2016, net of investment expenses
General Inflation	2.75% per annum
Crossover Test Assumptions	Employer contributes full actuarial determined contributions - Administrative expenses = .003% of pay - Assets are projected to always exceed benefit payments
Mortality, Disability, Termination, Retirement	CalPERS 1997-2015 Experience Study
Mortality Improvement	Mortality projected fully generational with Scale MP-17
Trend	- Pre-Medicare - 7.5% for 2019, decreasing to 4.00% for 2076 and later - Medicare - 6.5% for 2019, decreasing to 4.00% for 2076 and later - PEMHCA minimum - 4.25% after 2019
Healthcare Participation for Future Retirees	Based on FY at retirement: -2018 - 2020: 20% -2021-2025: 30% -2026-2030: 40% -2031+: 50%
Spousal Coverage	- Future Retirees: 60% at retirement - Retirees: Same as current election

Notes:

(1) Pre-retirement mortality information was derived from data collected during 1997 to 2011 CalPERS Experience Study dated January 2014 and post-retirement mortality information was derived from the 2007 to 2011 CalPERS Experience Study. The Experience Study reports may be accessed on the CalPERS website at www.calpers.ca.gov under Forms and Publications.

(2) The pre-retirement turnover information was developed based on CalPERS' specific data. For more details, please refer to the 2007 to 2011 Experience Study Report. The Experience Study Report may be accessed on the CalPERS website at www.calpers.ca.gov under Forms and Publications.

TOWN OF TRUCKEE, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 4: EMPLOYEES RETIREMENT PLAN (CONTINUED)

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

Asset Class	Target Allocation*	Expected Real Rate of Return
Equities	24%	4.82%
Fixed Income	39%	1.47%
TIPS	26%	1.29%
Commodities	3%	0.84%
REITs	8%	3.76%
Assumed Long-Term Rate of Inflation		2.75%
Expected Long-Term Net Rate of Return		5.60%
Discount Rate		5.50%

*CERBT Strategy 3. Provided by CalPERS' Strategic Asset Allocation Analysis Review in August 2014.

Discount Rate

The discount rate used to measure the total OPEB liability was 5.50 percent. The projection of cash flows used to determine the discount rate assumed that Town contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in the OPEB Liability

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

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (c) = (a) - (b)
Balance at June 30, 2017 <i>(Measurement Date June 30, 2016)</i>	\$ 1,004,336	\$ 436,451	\$ 567,885

Changes recognized for the measurement period:

Service cost	89,300	-	89,300
Interest	59,335	-	59,335
Changes of benefit terms	-	-	-
Difference between expected and actual experience	-	-	-

TOWN OF TRUCKEE, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 4: EMPLOYEES RETIREMENT PLAN (CONTINUED)

	Increase (Decrease)		
Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (c) = (a) - (b)	
Changes recognized for the measurement period (continued):			
Changes of assumptions	-	-	-
Contributions - employer	-	148,746	(148,746)
Contributions - employee	-	-	-
Net investment income	-	20,407	(20,407)
Benefit payments including refunds	(29,650)	(29,650)	-
Administrative expense	-	(248)	248
<hr/>			
Net Changes	118,985	139,255	(20,270)
<hr/>			
Balance at June 30, 2018 (Measurement Date June 30, 2017)	\$ 1,123,321	\$ 575,706	\$ 547,615

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

The following presents the net OPEB liability of the Town using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for the measurement period ended June 30, 2017:

	Discount Rate		
	1% Decrease (4.50%)	Current Rate (5.50%)	1% Increase (6.50%)
Net OPEB liability	\$ 766,204	\$ 547,615	\$ 375,116

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

The following presents the net OPEB liability of the Town if it were calculated using health care cost-trend rates that are one percentage point lower or one percentage point higher than the current rate, for the measurement period ended June 30, 2017:

	Trend Rate		
	1% Decrease	Current Rate	1% Increase
Net OPEB liability	\$ 354,737	\$ 547,615	\$ 798,480

OPEB Plan Fiduciary Net Position

CERBT issues a publicly available financial report for the overall OPEB plan's fiduciary net position may be obtained from CalPERS at PO Box 942709, Sacramento, CA 94229-2709.

Recognition of Deferred Outflows and Deferred Inflows of Resources

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

TOWN OF TRUCKEE, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 4: EMPLOYEES RETIREMENT PLAN (CONTINUED)

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

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

Source	Recognition Period
Net difference between projected and actual earnings on OPEB plan investments	5 years
All other amounts	Expected average remaining service lifetime (EARSL) (6.0 years at June 30, 2017)

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

For the fiscal year ended June 30, 2018, the Town recognized an OPEB expense of \$122,982. For the fiscal year ended June 30, 2018, the Town reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on plan investments	5,494	-
Employer contributions made subsequent to the measurement date	144,250	N/A
Total	<u>\$ 149,744</u>	<u>\$ -</u>

The \$144,250 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2017 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources related to OPEB will be recognized as an expense as follows:

FYE June 30	Deferred Outflows/(Inflows) of Resources
2019	\$ 1,373
2020	1,373
2021	1,373
2022	1,375
2023	-
Thereafter	-

TOWN OF TRUCKEE, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 5: RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town has joined together with other municipalities to participate in the Public Agency Risk Sharing Authority of California (PARSAC) for general liability, vehicle liability, errors and omissions, workers' compensation, and employers' liability purposes. PARSAC is a public entity risk pool which serves as a common risk management and insurance program. PARSAC is under the control and direction of a nine member executive committee consisting of representatives from 37 member entities. The Town pays an annual premium to PARSAC for its insurance coverage. The agreements with PARSAC provide that the risk pool will be self-sustaining through member premiums and will reinsure through commercial companies for excess coverage.

Complete audited financial statements for PARSAC can be obtained via mail at 1525 Response Road, Suite One, Sacramento, CA 95815-4805.

The Town continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance in any of the past three fiscal years. There is no claims liability to be reported based on the requirements of Governmental Accounting Standards Board Statement No. 10. Statement No. 10 requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

NOTE 6: OTHER INFORMATION

A. Construction Commitments

The Town has signed agreements for \$20,242,962 in various construction projects that were not complete as of June 30th, 2018. Construction completed and paid subsequent to June 30th, 2018 on these projects was \$495,945. The Town has also signed agreements for construction projects subsequent to June 30th, 2018 in the amount of \$5,048,718, of which \$3,908,337 was constructed and paid by the date of the financial statement preparation.

B. Contingent Liabilities

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

TOWN OF TRUCKEE, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 7: PRIOR PERIOD ADJUSTMENTS

Total beginning government wide net position is being restated as follows:

Government-Wide	Description of Restatement	Amount
<u>Governmental Activities</u>		
	Decrease assets and increase liabilities for the balance of OPEB liability at June 30, 2017.	\$ (509,646)
	Increase deferred outflows for value of contributions towards the OPEB liability after the June 30, 2016 measurement date.	133,075
	Total Governmental Activities	<u>\$ (376,571)</u>
<u>Business Type Activities</u>		
	Decrease assets and increase liabilities for the balance of OPEB liability at June 30, 2017.	\$ (59,833)
	Increase deferred outflows for value of contributions towards the OPEB liability after the June 30, 2016 measurement date.	15,672
	Total Business Type Activities	<u>\$ (44,161)</u>
	Total Government Wide Restatement	<u><u>\$ (420,732)</u></u>

NOTE 8: FIDUCIARY FUND

The Town of Truckee Redevelopment Agency (Agency) was organized under the State of California Community Redevelopment Law. The governing body was substantially the same as the primary government and the Town and its component units were financially interdependent, hence the unit had been presented by blending with the primary government. The Agency was dissolved as of January 31st, 2012 and therefore is no longer reported as a component unit. The Town no longer issues separate financial statements for the Agency or its successor. The Redevelopment Successor Agency is reported as a fiduciary fund in the financial statements.

A. Cash and Investments

Total cash and investments as of June 30th, 2018 are presented on the Agency's financial statements as follows:

Fiduciary Activities:	
Investments	<u>\$ 1,910,999</u>
Total Cash and Investments	<u><u>\$ 1,910,999</u></u>

Total cash and investments as of June 30th, 2018 of the agency at fair value are comprised of the following:

Cash and Deposits:	
Deposits with fiscal agents	<u>1,228,968</u>
Total Cash and Deposits	<u>\$ 1,228,968</u>
Investments:	
In Town's pool	<u>682,030</u>
Total Cash and Investments	<u><u>\$ 1,910,999</u></u>

TOWN OF TRUCKEE, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 8: FIDUCIARY FUND (CONTINUED)

Deposits

The California Government Code requires California banks and savings and loan associations to collateralize an Agency's deposits by pledging government securities. The market value of pledged securities must equal at least 110 percent of an Agency's deposits. California law also allows financial institutions to collateralize Agency deposits by pledging first trust deed mortgage notes having a value of 150 percent of an Agency's total deposits. The Agency may waive collateral requirements for deposits which are fully insured up to the \$250,000 by Federal Deposit insurance.

Investments

The Agency bond proceeds investment policy authorized investments include:

<u>Investment Category</u>	<u>Standard</u>
Treasury Issues	No limitations
Government sponsored Agency Issues	No limitations
Banker's Acceptances	A-1 and P-1 rated or better
Commercial Paper	A-1 and P-1 rated or better
Money Market Mutual Funds	Aaa or AAA rated
Investment Agreements	Not currently used
Repurchase Agreements	Not currently used
LAIF	No limitations

As of June 30th, 2018, the agency had the following investments:

	<u>Maturities</u>			<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
	<u>0 - 1 year</u>	<u>1 - 5 years</u>	<u>Over 5 years</u>		
Investments in Investment Pool					
Local Agency Investment Fund (LAIF)	682,030	-	-	682,030	-
Total Investments in Investment Pool	\$ 682,030	\$ -	\$ -	\$ 682,030	\$ -

Interest Rate Risk

Interest rate risk is the risk of loss due to the fair value of an investment falling due to interest rates rising. Generally, the longer there is until the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. All investments of the Agency are invested in accordance with the investment policies of the Agency. Of the Agency's \$682,030 investment portfolio, 100 percent of the investments have a maturity of one year or less. The agency had no investments that were highly sensitive to interest rate fluctuations as of June 30th, 2018.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law and Agency investment pool policy limits investments in commercial paper to the rating of A1 by Standards & Poor's or P-1 by Moody's Investors Service. These ratings indicate that an obligor has a very strong capacity to meet its financial commitments. The Agency does not have credit limits on U.S. Government securities or U.S. Government agency securities.

TOWN OF TRUCKEE, CALIFORNIA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2018

NOTE 8: FIDUCIARY FUND (CONTINUED)

	Standard & Poor's	% of Portfolio
Investments at June 30, 2018		
LAIF	Unrated	100.0%
Total		100.0%

Custodial Credit Risk

Custodial credit risk is the risk of loss associated with holding investments that are not covered by depository insurance. At year end, the Agency did not participate in any repurchase agreements or securities lending that would result in any possible risk in this area.

Concentration of Credit Risk

Concentration of credit risk occurs when a company has a significant portion of its investment portfolio invested with one company. None of the portfolio was invested in U.S. Government or Agencies issues, corporate notes, or money market funds as of June 30th, 2018.

Investment in Local Agency Investment Fund (LAIF)

The Agency is a voluntary participant in California's LAIF that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the Agency's investment in this pool is reported in the accompanying financial statements at amounts based upon the Agency's share of the fair value provided by LAIF for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded at amortized cost basis.

At June 30th, 2018, the Agency's investment position in LAIF was \$682,030. The total amount invested by all public agencies in LAIF on that day was \$88,817,956,137. Of that amount, 97.33 percent is invested in non-derivative financial products and 2.67 percent in structured notes and asset backed securities.

B. Notes Receivable

Notes receivable include notes for economic development, improvements to the former Redevelopment Project area, historical preservation, and down-payment assistance. As of June 30, 2018, the Town had \$503,333 outstanding in notes receivable for the fiduciary fund.

Notes receivable are recorded at their net realizable value.

TOWN OF TRUCKEE, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 8: FIDUCIARY FUND (CONTINUED)

C. Capital Assets

Capital asset activity for the fiscal year ended June 30th, 2018 was as follows:

Fiduciary Activities	Balance July 1, 2017	Additions	Retirements	Transfers	Balance June 30, 2018
Capital Assets, Being Depreciated:					
Buildings and Improvements	\$ 67,440	\$ -	\$ -	\$ -	\$ 67,440
Equipment	150,376	-	-	-	150,376
Total Capital Asset, Being Depreciated	<u>217,816</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>217,816</u>
Less Accumulated Depreciation For:					
Buildings and Improvements	(60,210)	(7,230)	-	-	(67,440)
Equipment	(141,779)	(8,597)	-	-	(150,376)
Total Accumulated Depreciation	<u>\$ (201,989)</u>	<u>\$ (15,827)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (217,816)</u>
Total Capital Assets, Being Depreciated, Net	<u>\$ 15,827</u>	<u>\$ (15,827)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fiduciary Activities Capital Assets, Net	<u>\$ 15,827</u>	<u>\$ (15,827)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Depreciation

Depreciation expense was charged to the fiduciary fund as follows:

Redevelopment Successor Agency	<u>\$ 15,827</u>
Total Depreciation Expense - Fiduciary Functions	<u>\$ 15,827</u>

D. Long-term Liabilities

The following is a summary of all long-term liabilities activity for the fiscal year ended June 30th, 2018:

	Balance July 1, 2017	Additions/ Adjustments	Retirements	Balance June 30, 2018	Amounts Due Within One Year
Tax Increment Revenue Bonds	\$ 12,475,000	\$ -	\$ (115,000)	\$ 12,360,000	\$ 135,000
Less: Unamortized Discount	(42,178)	-	1,861	(40,317)	(1,861)
Tax Increment Revenue Bonds, Net	12,432,822	-	(113,139)	12,319,683	133,139
Compensated Absences (Note 1N)	25,783	17,266	(26,935)	16,114	1,066
Total Fiduciary Activities - Long-term Liabilities	<u>\$ 12,458,605</u>	<u>\$ 17,266</u>	<u>\$ (140,074)</u>	<u>\$ 12,335,797</u>	<u>\$ 134,205</u>

Long-term liabilities due within one year are net of amortized discount.

TOWN OF TRUCKEE, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 8: FIDUCIARY FUND (CONTINUED)

As of June 30th, 2018 tax increment bonds consisted of the following:

	Fiduciary Activities
Tax Increment Bonds	
Tax increment Bonds Series 2010, dated February 9, 2010, in the amount of \$9,385,000 (Series 2010A) and \$3,355,000 (Series 2010B) for a total issue of \$12,740,000, payable in annual installments of \$40,000 to \$1,085,000. Series 2010A interest rate of 3.00% to 4.50% and maturity on September 1, 2034 and Series 2010B Recovery Zone Economic Development Bonds (Taxable) with an interest rate of 8.193% prior to the 45% United States Treasury subsidy (net interest rate of 4.51%).	\$ 12,360,000
Total Bonds	\$ 12,360,000

The annual aggregate maturities for years subsequent to June 30th, 2018 are as follows:

<u>Tax Increment Bonds</u>	Community Development Activities				
Year Ended June 30	Principal	Total Gross Interest	Less US Treasury Subsidy	Net Interest	Total Principal & Net Interest
2019	\$ 135,000	\$ 729,213	\$ (123,694)	\$ 605,519	\$ 740,519
2020	\$ 160,000	\$ 723,650	\$ (123,694)	\$ 599,956	\$ 759,956
2021	\$ 185,000	\$ 716,750	\$ (123,694)	\$ 593,056	\$ 778,056
2022	\$ 210,000	\$ 708,719	\$ (123,694)	\$ 585,025	\$ 795,025
2023	\$ 240,000	\$ 699,288	\$ (123,694)	\$ 575,594	\$ 815,594
2024 - 2028	\$ 1,685,000	\$ 3,290,657	\$ (618,469)	\$ 2,672,188	\$ 4,357,188
2029 - 2033	\$ 2,725,000	\$ 2,741,960	\$ (618,469)	\$ 2,123,491	\$ 4,848,491
2034 - 2038	\$ 3,945,000	\$ 1,855,659	\$ (613,308)	\$ 1,242,351	\$ 5,187,351
2039 - 2043	\$ 3,075,000	\$ 387,734	\$ (174,480)	\$ 213,254	\$ 3,288,254
	\$ 12,360,000	\$ 11,853,629	\$ (2,643,195)	\$ 9,210,434	\$ 21,570,434

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedules

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TOWN OF TRUCKEE, CALIFORNIA
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues				
Taxes and assessments	\$ 18,798,276	\$ 18,798,276	\$ 20,317,704	\$ 1,519,428
Licenses and permits	275,000	275,000	274,295	(705)
Fines and forfeitures	206,500	206,500	191,860	(14,640)
Use of money and property	257,000	257,000	319,897	62,897
Intergovernmental revenues	1,884,782	1,884,782	2,016,552	131,770
Charges for services	1,137,240	1,137,240	1,300,113	162,873
Other revenues	375,136	375,136	636,242	261,106
Total Revenues:	<u>22,933,934</u>	<u>22,933,934</u>	<u>25,056,663</u>	<u>2,122,729</u>
Expenditures				
Current:				
General Government	4,827,498	4,827,498	4,387,704	439,794
Public Safety	6,511,442	6,511,442	6,163,617	347,825
Public Works	7,847,327	7,847,327	6,024,358	1,822,969
Community Development	1,144,022	1,144,022	926,727	217,295
Facilities	1,295,718	1,295,718	1,235,254	60,464
Capital Outlay	154,100	154,100	8,065	146,035
Total Expenditures:	<u>21,780,107</u>	<u>21,780,107</u>	<u>18,745,725</u>	<u>3,034,382</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures:	<u>1,153,827</u>	<u>1,153,827</u>	<u>6,310,938</u>	<u>(911,653)</u>
Other financing sources (uses):				
Transfers in	2,257,664	2,257,664	2,369,812	112,148
Transfers out	(7,164,487)	(7,164,487)	(4,731,636)	2,432,851
Total Other financing sources (uses):	<u>(4,906,823)</u>	<u>(4,906,823)</u>	<u>(2,361,824)</u>	<u>2,544,999</u>
Net Change in Fund Balances:	<u>(3,752,996)</u>	<u>(3,752,996)</u>	<u>3,949,114</u>	<u>1,633,346</u>
Fund Balances - Beginning	30,387,002	30,387,002	30,387,002	-
Fund Balances - Ending:	<u>\$ 26,634,006</u>	<u>\$ 26,634,006</u>	<u>\$ 34,336,116</u>	<u>\$ 1,633,346</u>

The notes to the required supplementary information are an integral part of this statement.

TOWN OF TRUCKEE, CALIFORNIA
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE
 MEASURE R TRAILS FUND - MAJOR SPECIAL REVENUE FUND
 FOR THE YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
Revenues				
Taxes and assessments	\$ 1,144,000	\$ 1,144,000	\$ 1,251,682	\$ 107,682
Use of money and property	15,000	15,000	15,128	128
Total Revenues:	<u>1,159,000</u>	<u>1,159,000</u>	<u>1,266,810</u>	<u>107,810</u>
Expenditures				
Excess (Deficiency) of Revenues Over (Under) Expenditures:	<u>1,159,000</u>	<u>1,159,000</u>	<u>1,266,810</u>	<u>107,810</u>
Other financing sources (uses):				
Transfers out	(1,291,522)	(1,291,522)	(297,229)	994,293
Total Other financing sources (uses):	<u>(1,291,522)</u>	<u>(1,291,522)</u>	<u>(297,229)</u>	<u>994,293</u>
Net Change in Fund Balances:	(132,522)	(132,522)	969,581	1,102,103
Fund Balances - Beginning	2,127,620	2,127,620	2,127,620	-
Fund Balances - Ending:	<u>\$ 1,995,098</u>	<u>\$ 1,995,098</u>	<u>\$ 3,097,201</u>	<u>\$ 1,102,103</u>

The notes to the required supplementary information are an integral part of this statement.

TOWN OF TRUCKEE, CALIFORNIA
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE
 TRAFFIC IMPACT FEES FUND - MAJOR SPECIAL REVENUE FUND
 FOR THE YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
Revenues				
Use of money and property	\$ 20,000	\$ 20,000	\$ 47,645	\$ 27,645
Charges for services	850,000	850,000	832,880	(17,120)
Other revenues	-	-	393,731	393,731
Total Revenues:	<u>870,000</u>	<u>870,000</u>	<u>1,274,256</u>	<u>404,256</u>
Expenditures				
Current:				
Public Works	5,755	5,755	8,474	(2,719)
Total Expenditures:	<u>5,755</u>	<u>5,755</u>	<u>8,474</u>	<u>(2,719)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures:	<u>864,245</u>	<u>864,245</u>	<u>1,265,782</u>	<u>406,975</u>
Other financing sources (uses):				
Transfers out	(3,129,600)	(3,129,600)	(2,083,625)	1,045,975
Total Other financing sources (uses):	<u>(3,129,600)</u>	<u>(3,129,600)</u>	<u>(2,083,625)</u>	<u>1,045,975</u>
Net Change in Fund Balances:	<u>(2,265,355)</u>	<u>(2,265,355)</u>	<u>(817,843)</u>	<u>1,452,950</u>
Fund Balances - Beginning	6,876,580	6,876,580	6,876,580	-
Fund Balances - Ending:	<u>\$ 4,611,225</u>	<u>\$ 4,611,225</u>	<u>\$ 6,058,737</u>	<u>\$ 1,452,950</u>

The notes to the required supplementary information are an integral part of this statement.

TOWN OF TRUCKEE, CALIFORNIA
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE
 MEASURE V ROAD MAINTENANCE FUND - MAJOR SPECIAL REVENUE FUND
 FOR THE YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
Revenues				
Taxes and assessments	\$ 2,328,000	\$ 2,328,000	\$ 2,548,299	\$ 220,299
Use of money and property	15,500	15,500	20,286	4,786
Total Revenues:	<u>2,343,500</u>	<u>2,343,500</u>	<u>2,568,585</u>	<u>225,085</u>
Expenditures				
Current:				
Public Works	8,000	8,000	19,472	(11,472)
Total Expenditures:	<u>8,000</u>	<u>8,000</u>	<u>19,472</u>	<u>(11,472)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures:	<u>2,335,500</u>	<u>2,335,500</u>	<u>2,549,113</u>	<u>236,557</u>
Other financing sources (uses):				
Transfers out	(3,576,486)	(3,576,486)	(2,770,817)	805,669
Total Other financing sources (uses):	<u>(3,576,486)</u>	<u>(3,576,486)</u>	<u>(2,770,817)</u>	<u>805,669</u>
Net Change in Fund Balances:	<u>(1,240,986)</u>	<u>(1,240,986)</u>	<u>(221,704)</u>	<u>1,042,226</u>
Fund Balances - Beginning	2,874,005	2,874,005	2,874,005	-
Fund Balances - Ending:	<u>\$ 1,633,019</u>	<u>\$ 1,633,019</u>	<u>\$ 2,652,301</u>	<u>\$ 1,042,226</u>

The notes to the required supplementary information are an integral part of this statement.

TOWN OF TRUCKEE, CALIFORNIA
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE
 HOME GRANT FUND - MAJOR SPECIAL REVENUE FUND
 FOR THE YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
Revenues				
Expenditures				
Excess (Deficiency) of Revenues Over (Under)				
Expenditures:	-	-	-	-
Net Change in Fund Balances:	-	-	-	-
Fund Balances - Ending:	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The notes to the required supplementary information are an integral part of this statement.

TOWN OF TRUCKEE, CALIFORNIA
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE
 TOWN SPECIAL SERVICE AREAS FUND - MAJOR SPECIAL REVENUE FUND
 FOR THE YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
Revenues				
Taxes and assessments	\$ 769,000	\$ 769,000	\$ 774,447	\$ 5,447
Use of money and property	37,600	37,600	39,405	1,805
Total Revenues:	<u>806,600</u>	<u>806,600</u>	<u>813,852</u>	<u>7,252</u>
Expenditures				
Current:				
Public Works	8,150	8,150	11,385	(3,235)
Total Expenditures:	<u>8,150</u>	<u>8,150</u>	<u>11,385</u>	<u>(3,235)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures:	<u>798,450</u>	<u>798,450</u>	<u>802,467</u>	<u>10,487</u>
Other financing sources (uses):				
Transfers out	(462,918)	(462,918)	(149,961)	312,957
Total Other financing sources (uses):	<u>(462,918)</u>	<u>(462,918)</u>	<u>(149,961)</u>	<u>312,957</u>
Net Change in Fund Balances:	335,532	335,532	652,506	323,444
Fund Balances - Beginning	5,238,339	5,238,339	5,238,339	-
Fund Balances - Ending:	<u>\$ 5,573,871</u>	<u>\$ 5,573,871</u>	<u>\$ 5,890,845</u>	<u>\$ 323,444</u>

The notes to the required supplementary information are an integral part of this statement.

REQUIRED SUPPLEMENTARY INFORMATION

Schedules of Cost Sharing Defined Benefit Pension Plan

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TOWN OF TRUCKEE, CALIFORNIA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULES FOR THE COST SHARING DEFINED BENEFIT PENSION PLAN
 TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 AS OF JUNE 30, 2018
 LAST TEN FISCAL YEARS*

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Portion of the net pension liability	0.128266%	0.124370%	0.120798%	0.172250%
Proportionate share of the net pension liability	\$12,720,474	\$10,761,789	\$8,291,496	\$6,672,012
Covered - employee payroll	\$8,988,575	\$8,529,783	\$8,098,016	\$7,249,592
Proportionate share of the net pension liability as percentage of covered-employee payroll	141.52%	126.17%	102.39%	92.03%
Plan fiduciary net position as a percentage of the total pension liability	73.31%	74.06%	78.40%	79.82%

*Fiscal year 2015 was the first year of implementation, therefore only four years are shown.

The notes to the required supplementary information are an integral part of this statement.

TOWN OF TRUCKEE, CALIFORNIA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULES FOR THE COST SHARING DEFINED BENEFIT PENSION PLAN
 CONTRIBUTIONS
 AS OF JUNE 30, 2018
 LAST TEN FISCAL YEARS*

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution (actuarially determined)	\$1,597,901	\$1,599,871	\$1,437,532	\$1,503,497
Contributions in relation to the actuarially determined contributions	\$1,597,901	\$1,599,871	\$1,437,532	\$1,503,497
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Covered employee payroll	\$9,935,645	\$8,988,575	\$8,529,783	\$8,098,016
Contributions as a percentage of covered employee payroll	16.08%	17.80%	16.85%	18.57%

*Fiscal year 2015 was the first year of implementation, therefore only four years are shown.

The notes to the required supplementary information are an integral part of this statement.

REQUIRED SUPPLEMENTARY INFORMATION

Schedules of Other Post Employment Benefits

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TOWN OF TRUCKEE, CALIFORNIA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
 FOR THE MEASUREMENT PERIOD ENDING JUNE 30, 2017
 LAST TEN FISCAL YEARS *

	<i>Measurement Period</i>	2017
Total OPEB Liability		
Service cost	\$	89,300
Interest on the total OPEB liability		59,335
Benefit payments		(29,650)
		118,985
Net Change in total OPEB Liability		118,985
Total OPEB Liability - beginning		1,004,336
Total OPEB Liability - ending (a)	\$	1,123,321
 Plan Fiduciary Net Position		
Contribution - employer	\$	148,746
Net investment income		20,407
Benefit payments		(29,650)
Administrative expense		(248)
		139,255
Net change in plan fiduciary net position		139,255
Plan fiduciary net position - beginning		436,451
Plan fiduciary net position - ending (b)	\$	575,706
 Net OPEB liability - ending (a) - (b)	\$	547,615
 Plan fiduciary net position as a percentage of total OPEB liability		51.30%
 Covered-employee payroll	\$	8,803,289
 Net OPEB liability as a percentage of covered-employee payroll		6.2%

* Fiscal year 2018 was the first year of implementation, therefore only one year is shown

The notes to the required supplementary information are an integral part of this statement.

TOWN OF TRUCKEE, CALIFORNIA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF ACTUARIALLY DETERMINED CONTRIBUTIONS
 AS OF JUNE 30, 2018
 LAST TEN FISCAL YEARS*

Fiscal Year Ended June 30	<u>2018</u>
Actuarially Determined Contribution (ADC)	\$ 138,976
Contributions in relation to ADC	<u>144,250</u>
Contribution deficiency (excess)	(5,274)
Covered-employee payroll	9,165,306
Contributions as a percentage of covered-employee payroll	1.6%

* Fiscal year 2018 was the first year of implementation, therefore only one year is shown

The notes to the required supplementary information are an integral part of this statement.

REQUIRED SUPPLEMENTARY INFORMATION

Notes to the Required Supplementary Information

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TOWN OF TRUCKEE, CALIFORNIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018

A. BUDGETARY BASIS OF ACCOUNTING

The approved Town procedures for establishing the budgetary data reflected in the financial statements are as follows:

1. Each year, the Administrative Services Department submits to the Town Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and estimated revenues.

Public hearings are to be conducted at Town Hall to obtain taxpayer comments.

Generally by the first of July, after adjustment as directed by the Town Council, the budget is to be legally enacted through council motion.

2. Council approval is required for transfers between funds, or for an increase in total appropriations. Therefore, the level of budgetary responsibility is by total appropriations; however, for report purposes, this level has been expanded to a functional basis (General Government, Public Safety, Public Works etc.).
3. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). Accordingly, actual revenues and expenditures can be compared with related budgeted amounts without any significant adjustments.
4. All unused appropriations for budgeted amounts lapse at the end of the fiscal year.
5. Individual fund budgetary comparisons are not presented at the detail budget unit level due to their excessive length. A separate document presenting this information is available.

The Town does not use encumbrance accounting under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation.

B. EXCESS EXPENDITURES OVER BUDGETARY APPROPRIATIONS

The Town's General Fund and major special revenue funds did not have any material excess expenditures over appropriations for fiscal year 2018.

C. CHANGES IN ASSUMPTION – COST SHARING DEFINED BENEFIT PENSION PLAN

The discount rate used to measure the total pension liability was 7.15 percent and reflects the long-term expected rate of return for the Plan net of investment expenses and without reduction for administrative expenses. To determine whether the municipal bond rate should be used in the calculation of the discount rate, the amortization and smoothing periods adopted by the Board in fiscal 2013 were used. For the Plan, the crossover test was performed on a miscellaneous plan and a safety plan that were considered as being more at risk of failing the crossover test and result in a discount rate that would be different from the long-term expected rate of return on pension investments. Based on the testing of those plan investments, the tests revealed that the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Plan. The crossover test results can be found on the CalPERS' website at <https://www.calpers.ca.gov/page/employers/actuarial-services/gasb>.

TOWN OF TRUCKEE, CALIFORNIA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018

D. ACTUARIAL ASSUMPTIONS – OTHER POST EMPLOYMENT BENEFITS

Actuarial methods and assumptions used to set the actuarially determined contributions for fiscal 2018 were from the June 30th, 2017 valuation.

Methods and assumptions used to determine contributions:

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry age, level percentage of payroll
Amortization Method	Level dollar amount over closed 24 year period
Asset Valuation Method	Market value, no smoothing
Inflation	2.75% per year
Payroll Growth	3.00% per year
Discount Rate	5.50%
Healthcare cost-trend rates	7.50% initial, 0.25% decrease per year to rate that reflects medical price inflation
Retirement Age	The probabilities of retirement are based on the CalPERS Experience Study for the period from 1997 to 2014
Mortality	Pre-retirement mortality probability based on the CalPERS Experience Study from 1997 to 2014, covering CalPERS participants. Post-retirement mortality projected with the Mortality Improvement Society of Actuaries Scale MP-2017

COMBINING FUND STATEMENTS AND SCHEDULES

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NONMAJOR GOVERNMENTAL FUNDS

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TOWN OF TRUCKEE, CALIFORNIA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2018

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Assets			
Cash and investments	\$ 5,066,134	\$ 5,055,007	\$ 10,121,141
Accounts receivable	20,891	-	20,891
Interest receivable	13,962	-	13,962
Taxes receivable	2,711	-	2,711
Due from other governments	59,293	-	59,293
Loans receivable	3,011,014	-	3,011,014
Total Assets:	<u>8,174,005</u>	<u>5,055,007</u>	<u>13,229,012</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	8,792	14,722	23,514
Due to other funds	2,285	-	2,285
Total Liabilities:	<u>11,077</u>	<u>14,722</u>	<u>25,799</u>
Deferred Inflows of Resources:			
Deferred inflows	3,051,434	-	3,051,434
Total Deferred Inflows of Resources:	<u>3,051,434</u>	<u>-</u>	<u>3,051,434</u>
Fund Balances:			
Restricted	4,984,562	-	4,984,562
Assigned	126,932	5,040,285	5,167,217
Total Fund Balances:	<u>5,111,494</u>	<u>5,040,285</u>	<u>10,151,779</u>
Total Liabilities and Fund Balances:	<u>\$ 8,174,005</u>	<u>\$ 5,055,007</u>	<u>\$ 13,229,012</u>

TOWN OF TRUCKEE, CALIFORNIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues			
Taxes and assessments	\$ 2,325,039	\$ -	\$ 2,325,039
Fines and forfeitures	99,306	-	99,306
Use of money and property	126,656	-	126,656
Intergovernmental revenues	128,979	1,060,919	1,189,898
Charges for services	454,368	-	454,368
Other revenues	282,199	-	282,199
Total Revenues:	<u>3,416,547</u>	<u>1,060,919</u>	<u>4,477,466</u>
Expenditures			
Current:			
General Government	30,750	-	30,750
Public Safety	108,810	-	108,810
Public Works	32,959	2,699	35,658
Community Development	36,784	-	36,784
Capital Outlay	31,119	2,293,182	2,324,301
Total Expenditures:	<u>240,422</u>	<u>2,295,881</u>	<u>2,536,303</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures:	<u>3,176,125</u>	<u>(1,234,962)</u>	<u>1,941,163</u>
Other financing sources (uses):			
Transfers in	194,107	-	194,107
Transfers out	(2,732,568)	-	(2,732,568)
Total Other financing sources (uses):	<u>(2,538,461)</u>	<u>-</u>	<u>(2,538,461)</u>
Net Change in Fund Balances:	637,664	(1,234,962)	(597,298)
Fund Balances - Beginning	4,473,830	6,275,247	10,749,077
Fund Balances - Ending:	<u>\$ 5,111,494</u>	<u>\$ 5,040,285</u>	<u>\$ 10,151,779</u>

NONMAJOR GOVERNMENTAL FUNDS
Special Revenue Funds

TOWN OF TRUCKEE, CALIFORNIA
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2018

	Abandoned Vehicle Abate Fund	Air Quality Mitigation Fund	Downtown In-Lieu Parking Fund	Town Housing Fund
Assets				
Cash and investments	\$ 28,773	\$ 245,168	\$ 89,657	\$ 218,911
Accounts receivable	-	-	15,420	-
Interest receivable	76	720	228	569
Taxes receivable	-	-	-	-
Due from other governments	-	-	-	-
Loans receivable	-	-	-	569,487
Total Assets:	<u>28,849</u>	<u>245,888</u>	<u>105,305</u>	<u>788,967</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	-	-	-	-
Due to other funds	-	-	-	-
Total Liabilities:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources:				
Deferred inflows	-	-	15,420	569,487
Total Deferred Inflows of Resources:	<u>-</u>	<u>-</u>	<u>15,420</u>	<u>569,487</u>
Fund Balances:				
Restricted	28,849	245,888	89,885	219,480
Assigned	-	-	-	-
Total Fund Balances:	<u>28,849</u>	<u>245,888</u>	<u>89,885</u>	<u>219,480</u>
Total Liabilities and Fund Balances:	<u>\$ 28,849</u>	<u>\$ 245,888</u>	<u>\$ 105,305</u>	<u>\$ 788,967</u>

TOWN OF TRUCKEE, CALIFORNIA
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2018

	PEG Fund	Infrastructure In- Lieu Fund	Brickelltown Maintenance District Fund	Joerger Ranch Trail Maintenance District Fund
Assets				
Cash and investments	\$ 26,868	\$ 93,112	\$ 56,288	\$ 13,067
Accounts receivable	5,471	-	-	-
Interest receivable	114	247	170	38
Taxes receivable	-	-	2,711	-
Due from other governments	-	-	-	-
Loans receivable	-	-	-	-
Total Assets:	<u>32,453</u>	<u>93,359</u>	<u>59,169</u>	<u>13,105</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	-	-	121	-
Due to other funds	-	-	-	-
Total Liabilities:	<u>-</u>	<u>-</u>	<u>121</u>	<u>-</u>
Deferred Inflows of Resources:				
Deferred inflows	-	-	-	-
Total Deferred Inflows of Resources:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Restricted	32,453	93,359	59,048	13,105
Assigned	-	-	-	-
Total Fund Balances:	<u>32,453</u>	<u>93,359</u>	<u>59,048</u>	<u>13,105</u>
Total Liabilities and Fund Balances:	<u>\$ 32,453</u>	<u>\$ 93,359</u>	<u>\$ 59,169</u>	<u>\$ 13,105</u>

Continued (Page 2 of 6)

TOWN OF TRUCKEE, CALIFORNIA
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2018

	COPS Fund	Gas Tax Fund	BEGIN Housing Reimbursement Grants Fund	CDBG - Misc Income Fund
Assets				
Cash and investments	\$ 114,368	\$ 60,531	\$ -	\$ 126,591
Accounts receivable	-	-	-	-
Interest receivable	455	-	-	341
Taxes receivable	-	-	-	-
Due from other governments	25,000	34,293	-	-
Loans receivable	-	-	316,384	52,583
Total Assets:	139,823	94,824	316,384	179,515
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	5,952	-	-	-
Due to other funds	-	-	-	-
Total Liabilities:	5,952	-	-	-
Deferred Inflows of Resources:				
Deferred inflows	25,000	-	316,384	52,583
Total Deferred Inflows of Resources:	25,000	-	316,384	52,583
Fund Balances:				
Restricted	108,871	94,824	-	-
Assigned	-	-	-	126,932
Total Fund Balances:	108,871	94,824	-	126,932
Total Liabilities and Fund Balances:	\$ 139,823	\$ 94,824	\$ 316,384	\$ 179,515

Continued (Page 3 of 6)

TOWN OF TRUCKEE, CALIFORNIA
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2018

	CDBG 01-STBG- 1614 Fund	CDBG 10-STBG- 6741 Fund	15-CDBG-10566 Fund	Housing Assistance Fund
Assets				
Cash and investments	\$ -	\$ -	\$ -	\$ 1,984,356
Accounts receivable	-	-	-	-
Interest receivable	-	-	-	5,350
Taxes receivable	-	-	-	-
Due from other governments	-	-	-	-
Loans receivable	45,692	687,868	94,276	491,926
Total Assets:	45,692	687,868	94,276	2,481,632
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	-	-	894	1,500
Due to other funds	-	-	2,285	-
Total Liabilities:	-	-	3,179	1,500
Deferred Inflows of Resources:				
Deferred inflows	45,692	687,868	94,276	491,926
Total Deferred Inflows of Resources:	45,692	687,868	94,276	491,926
Fund Balances:				
Restricted	-	-	(3,179)	1,988,206
Assigned	-	-	-	-
Total Fund Balances:	-	-	(3,179)	1,988,206
Total Liabilities and Fund Balances:	\$ 45,692	\$ 687,868	\$ 94,276	\$ 2,481,632

Continued (Page 4 of 6)

TOWN OF TRUCKEE, CALIFORNIA
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2018

	Program Income Fund	CalHome Grant Fund	Impact Fees Miscellaneous Fund	Asset Forfeiture Fund
Assets				
Cash and investments	\$ 318,810	\$ -	\$ 1,517,847	\$ 171,787
Accounts receivable	-	-	-	-
Interest receivable	835	-	4,344	475
Taxes receivable	-	-	-	-
Due from other governments	-	-	-	-
Loans receivable	297,630	455,168	-	-
Total Assets:	<u>617,275</u>	<u>455,168</u>	<u>1,522,191</u>	<u>172,262</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	325	-	-	-
Due to other funds	-	-	-	-
Total Liabilities:	<u>325</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources:				
Deferred inflows	297,630	455,168	-	-
Total Deferred Inflows of Resources:	<u>297,630</u>	<u>455,168</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Restricted	319,320	-	1,522,191	172,262
Assigned	-	-	-	-
Total Fund Balances:	<u>319,320</u>	<u>-</u>	<u>1,522,191</u>	<u>172,262</u>
Total Liabilities and Fund Balances:	<u>\$ 617,275</u>	<u>\$ 455,168</u>	<u>\$ 1,522,191</u>	<u>\$ 172,262</u>

Continued (Page 5 of 6)

TOWN OF TRUCKEE, CALIFORNIA
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2018

	Total Nonmajor Special Revenue Funds
Assets	
Cash and investments	\$ 5,066,134
Accounts receivable	20,891
Interest receivable	13,962
Taxes receivable	2,711
Due from other governments	59,293
Loans receivable	3,011,014
Total Assets:	8,174,005
 Liabilities and Fund Balances	
Liabilities:	
Accounts payable	8,792
Due to other funds	2,285
Total Liabilities:	11,077
 Deferred Inflows of Resources:	
Deferred inflows	3,051,434
Total Deferred Inflows of Resources:	3,051,434
 Fund Balances:	
Restricted	4,984,562
Assigned	126,932
Total Fund Balances:	5,111,494
Total Liabilities and Fund Balances:	\$ 8,174,005

Continued (Page 6 of 6)

TOWN OF TRUCKEE, CALIFORNIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018

	Abandoned Vehicle Abate Fund	Air Quality Mitigation Fund	Downtown In-Lieu Parking Fund	Town Housing Fund
Revenues				
Taxes and assessments	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-	-
Use of money and property	363	3,337	1,109	23,753
Intergovernmental revenues	-	-	-	-
Charges for services	1,162	46,579	1,875	-
Other revenues	-	-	-	104,510
Total Revenues:	1,525	49,916	2,984	128,263
Expenditures				
Current:				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	-	-	-	-
Community Development	-	-	-	-
Capital Outlay	-	-	-	-
Total Expenditures:	-	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures:	1,525	49,916	2,984	128,263
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	(35,002)	-	-
Total Other financing sources (uses):	-	(35,002)	-	-
Net Change in Fund Balances:	1,525	14,914	2,984	128,263
Fund Balances - Beginning	27,324	230,974	86,901	91,217
Fund Balances - Ending:	\$ 28,849	\$ 245,888	\$ 89,885	\$ 219,480

TOWN OF TRUCKEE, CALIFORNIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018

	PEG Fund	Infrastructure In-Lieu Fund	Brickelltown Maintenance District Fund	Joerger Ranch Trail Maintenance District Fund
Revenues				
Taxes and assessments	\$ -	\$ -	\$ 66,220	\$ -
Fines and forfeitures	-	-	-	-
Use of money and property	487	971	563	168
Intergovernmental revenues	-	-	-	-
Charges for services	-	49,071	-	-
Other revenues	21,812	60	-	-
Total Revenues:	<u>22,299</u>	<u>50,102</u>	<u>66,783</u>	<u>168</u>
Expenditures				
Current:				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	-	-	29,171	-
Community Development	-	-	-	-
Capital Outlay	-	-	-	-
Total Expenditures:	<u>-</u>	<u>-</u>	<u>29,171</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures:	<u>22,299</u>	<u>50,102</u>	<u>37,612</u>	<u>168</u>
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	(21,803)	-	(5,195)	-
Total Other financing sources (uses):	<u>(21,803)</u>	<u>-</u>	<u>(5,195)</u>	<u>-</u>
Net Change in Fund Balances:	496	50,102	32,417	168
Fund Balances - Beginning	31,957	43,257	26,631	12,937
Fund Balances - Ending:	<u>\$ 32,453</u>	<u>\$ 93,359</u>	<u>\$ 59,048</u>	<u>\$ 13,105</u>

Continued (Page 2 of 6)

TOWN OF TRUCKEE, CALIFORNIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018

	COPS Fund	Gas Tax Fund	BEGIN Housing Reimbursement Grants	CDBG - Miscellaneous Income Fund
Revenues				
Taxes and assessments	\$ -	\$ 2,258,819	\$ -	\$ -
Fines and forfeitures	-	-	-	-
Use of money and property	1,931	16	-	1,601
Intergovernmental revenues	110,585	18,394	-	-
Charges for services	-	-	-	-
Other revenues	-	-	-	-
Total Revenues:	<u>112,516</u>	<u>2,277,229</u>	<u>-</u>	<u>1,601</u>
Expenditures				
Current:				
General Government	-	-	-	-
Public Safety	91,315	-	-	-
Public Works	-	-	-	-
Community Development	-	-	-	-
Capital Outlay	-	-	-	-
Total Expenditures:	<u>91,315</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures:	<u>21,201</u>	<u>2,277,229</u>	<u>-</u>	<u>1,601</u>
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	(49,707)	(2,182,405)	-	-
Total Other financing sources (uses):	<u>(49,707)</u>	<u>(2,182,405)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances:	<u>(28,506)</u>	<u>94,824</u>	<u>-</u>	<u>1,601</u>
Fund Balances - Beginning	137,377	-	-	125,331
Fund Balances - Ending:	<u>\$ 108,871</u>	<u>\$ 94,824</u>	<u>\$ -</u>	<u>\$ 126,932</u>

Continued (Page 3 of 6)

TOWN OF TRUCKEE, CALIFORNIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018

	CDBG 01-STBG- 1614 Fund	CDBG 10-STBG- 6741 Fund	15-CDBG-10566 Fund	Housing Assistance Fund
Revenues				
Taxes and assessments	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-	-
Use of money and property	-	13,906	2,183	40,579
Intergovernmental revenues	-	-	-	-
Charges for services	-	-	-	18,605
Other revenues	5,012	13,711	18,778	87,478
Total Revenues:	<u>5,012</u>	<u>27,617</u>	<u>20,961</u>	<u>146,662</u>
Expenditures				
Current:				
General Government	-	-	-	30,750
Public Safety	-	-	-	-
Public Works	-	-	-	-
Community Development	-	-	3,179	-
Capital Outlay	-	-	-	-
Total Expenditures:	<u>-</u>	<u>-</u>	<u>3,179</u>	<u>30,750</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures:	<u>5,012</u>	<u>27,617</u>	<u>17,782</u>	<u>115,912</u>
Other financing sources (uses):				
Transfers in	-	-	-	100,823
Transfers out	(5,012)	(27,617)	(20,961)	(150,824)
Total Other financing sources (uses):	<u>(5,012)</u>	<u>(27,617)</u>	<u>(20,961)</u>	<u>(50,001)</u>
Net Change in Fund Balances:	-	-	(3,179)	65,911
Fund Balances - Beginning	-	-	-	1,922,295
Fund Balances - Ending:	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,179)</u>	<u>\$ 1,988,206</u>

Continued (Page 4 of 6)

TOWN OF TRUCKEE, CALIFORNIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018

	Program Income Fund	CalHome Grant Fund	Impact Fees Miscellaneous	Asset Forfeiture Fund
Revenues				
Taxes and assessments	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-	99,306
Use of money and property	3,768	8,856	19,197	3,868
Intergovernmental revenues	-	-	-	-
Charges for services	-	-	337,076	-
Other revenues	-	30,838	-	-
Total Revenues:	3,768	39,694	356,273	103,174
Expenditures				
Current:				
General Government	-	-	-	-
Public Safety	-	-	-	17,495
Public Works	-	-	3,788	-
Community Development	33,605	-	-	-
Capital Outlay	-	-	-	31,119
Total Expenditures:	33,605	-	3,788	48,614
Excess (Deficiency) of Revenues Over (Under) Expenditures:	(29,837)	39,694	352,485	54,560
Other financing sources (uses):				
Transfers in	93,284	-	-	-
Transfers out	-	(39,694)	(194,348)	-
Total Other financing sources (uses):	93,284	(39,694)	(194,348)	-
Net Change in Fund Balances:	63,447	-	158,137	54,560
Fund Balances - Beginning	255,873	-	1,364,054	117,702
Fund Balances - Ending:	\$ 319,320	\$ -	\$ 1,522,191	\$ 172,262

Continued (Page 5 of 6)

TOWN OF TRUCKEE, CALIFORNIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018

	Total Nonmajor Special Revenue Funds
Revenues	
Taxes and assessments	\$ 2,325,039
Fines and forfeitures	99,306
Use of money and property	126,656
Intergovernmental revenues	128,979
Charges for services	454,368
Other revenues	282,199
Total Revenues:	3,416,547
Expenditures	
Current:	
General Government	30,750
Public Safety	108,810
Public Works	32,959
Community Development	36,784
Capital Outlay	31,119
Total Expenditures:	240,422
Excess (Deficiency) of Revenues Over (Under) Expenditures:	3,176,125
Other financing sources (uses):	
Transfers in	194,107
Transfers out	(2,732,568)
Total Other financing sources (uses):	(2,538,461)
Net Change in Fund Balances:	637,664
Fund Balances - Beginning	4,473,830
Fund Balances - Ending:	\$ 5,111,494

Continued (Page 6 of 6)

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NONMAJOR GOVERNMENTAL FUNDS
Capital Projects Funds

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TOWN OF TRUCKEE, CALIFORNIA
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2018

	Fleet Replacement Fund
Assets	
Cash and investments	\$ 5,055,007
Total Assets:	5,055,007
 Liabilities and Fund Balances	
Liabilities:	
Accounts payable	14,722
Total Liabilities:	14,722
 Fund Balances:	
Assigned	5,040,285
Total Fund Balances:	5,040,285
Total Liabilities and Fund Balances:	\$ 5,055,007

TOWN OF TRUCKEE, CALIFORNIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR CAPITAL PROJECTS FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018

	Fleet Replacement Fund
Revenues	
Intergovernmental revenues	\$ 1,060,919
Total Revenues:	1,060,919
 Expenditures	
Current:	
Public Works	2,699
Capital Outlay	2,293,182
Total Expenditures:	2,295,881
Excess (Deficiency) of Revenues Over (Under)	
Expenditures:	(1,234,962)
Net Change in Fund Balances:	(1,234,962)
Fund Balances - Beginning	6,275,247
Fund Balances - Ending:	\$ 5,040,285

OTHER REPORTS

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MANN • URRUTIA • NELSON CPAs & ASSOCIATES, LLP
GLENDALE • ROSEVILLE • SACRAMENTO • SOUTH LAKE TAHOE • KAUAI, HAWAII

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

To the Town Council
Truckee, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Truckee, California, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Truckee's basic financial statements, and have issued our report thereon dated November 29, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Sacramento, California
November 29, 2018

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Town Council
Truckee, California

Report on Compliance for Each Major Federal Program

We have audited the Town of Truckee, California's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town of Truckee's major federal programs for the year ended June 30, 2018. The Town of Truckee's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Town of Truckee, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control over Compliance

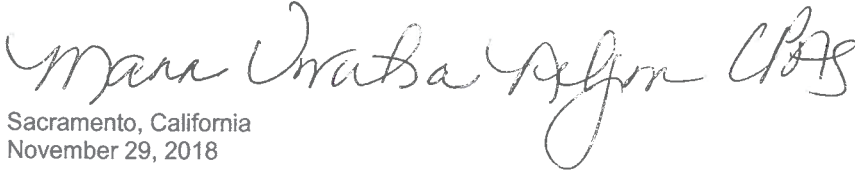
Management of the Town of Truckee, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Truckee's internal control over compliance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

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

federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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



Maria Urutba Nelson CPA

Sacramento, California
November 29, 2018

**TOWN OF TRUCKEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

<u>Federal Grantor/Pass-Through Grantor Program</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number/Grant Number</u>	<u>Federal Expenditures</u>
U.S Department of Housing and Urban Development			
Home Investment Partnership Program	14.239	Beginning Loan Balance	\$ 11,945,918
Home Investment Partnership Program	14.239	Interest Income	373,225
Pass-Through State of California Department of Housing and Community Development:			
Community Development Block Grants	14.228	Beginning Loan Balance	967,429
Community Development Block Grants	14.228	New Loans	37,501
Community Development Block Grants	14.228	Interest Income	<u>2,000</u>
Total U.S. Department of Housing and Urban Development			<u>13,326,073</u>
U.S. Department of Justice			
Bulletproof Vest Partnership Program	16.607	2016BUBX16082263	<u>4,466</u>
Total U.S. Department of Justice			<u>4,466</u>
U.S Department of Transportation			
Pass-Through State of California Department of Transportation			
Highway Planning and Construction	20.205	STIP/RIP	980
Highway Safety Improvement Program	20.205	HSIP-5473(019)	2,189
Formula Grants for Other than Urbanized Areas	20.509	64BO17-00518	83,498
Enhanced Mobility of Seniors & Individuals with Disabilities	20.513	64A018-00691	<u>227,112</u>
Total U.S. Department of Transportation			<u>313,779</u>
U.S Department of Health and Human Services			
Grants for Support Services and Senior Centers	93.044	1418-07-03/04-16	<u>27,508</u>
Total U.S. Department of Health and Human Services			<u>27,508</u>
Total Expenditures of Federal Awards			\$ <u>13,671,826</u>

**TOWN OF TRUCKEE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1: REPORTING ENTITY

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the Town of Truckee. The Town of Truckee reporting entity is defined in Note 1 of the Town's Annual Financial Report. All federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included on the schedule. When federal awards were received from a pass-through entity, the Schedule of Expenditures of Federal Awards shows, if available, the identifying number assigned by the pass-through entity.

NOTE 2: BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town and is presented on accounting principles generally accepted in the United States of America. The information in this schedule is presented on the accrual basis of accounting and in accordance with requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

NOTE 3: RELATIONSHIP TO FINANCIAL STATEMENTS

The amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree, in all material respects, to amounts reported within the Town's basic financial statements. Federal award revenues are reported principally in the Town's financial statements as intergovernmental revenues in the governmental funds.

NOTE 4: CLAIMS

The Town of Truckee has received federal grants for specific purposes that are subject to review and audit by the Federal Government pass-through entity. Although such audits could result in expenditure disallowance under grant terms, any required reimbursements are not expected to be material which have not already been recorded.

NOTE 5: LOANS OUTSTANDING

The programs listed below had the following aggregate federally funded loans outstanding at June 30, 2018:

Federal CFDA Number	Program Title	Amount Outstanding
14.228	Community Development Block Grants	\$ 931,927
14.239	Home Investment Partnerships Program	<u>12,319,143</u>
	Total Loans Outstanding	<u>\$ 13,251,070</u>

NOTE 6: INDIRECT COSTS

The Town elected not to use the 10% de minimus indirect cost rate, and did not charge indirect costs to federal grants during the year ended June 30, 2018.

**TOWN OF TRUCKEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 200.516 of the Uniform Guidance	No
Identification of Major Programs:	
Community Development Block Grants, 14.228	
Home Investment Partnerships Program, 14.239	
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

SECTION II - FINANCIAL STATEMENT FINDINGS

Findings relating to the financial statements which are required to be reported in accordance with Generally Accepted <i>Government Auditing Standards</i>	No
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SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Findings and questioned costs for Federal Awards, which includes audit findings and defined in section 200.516 of the Uniform Guidance	No
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**TOWN OF TRUCKEE
SCHEDULE OF PRIOR YEAR FINDINGS
JUNE 30, 2018**

There were no findings to report for the year ended June 30, 2017.

APPENDIX B

GENERAL INFORMATION ON THE TOWN OF TRUCKEE AND VICINITY

The following information is presented as general background data. The Series 2019 Bonds are payable solely from lease payments made by the Town of Truckee and other sources as described herein. The taxing power of the Town of Truckee, the State of California or any political subdivision thereof is not pledged to the payment of the Series 2019 Bonds.

LOCATION

The Town of Truckee is located approximately ninety miles northeast of Sacramento and approximately twelve miles north of Lake Tahoe. The Town is one of only three incorporated cities in the County of Nevada (the “County”). The Town occupies thirty-four square miles and is served by Interstate 80 and State Highway 89.

Located on the eastern slope of the Sierra Nevada mountain range, the Town of Truckee has a varied climate that provides recreational opportunities all year. The spring, summer and fall offers nearly every outdoor activity imaginable including camping, boating, fishing, rafting, hiking, mountain biking, golfing, and many others. The winter months provide opportunities to enjoy downhill skiing at several ski resorts near Truckee, as well as other winter sports such as cross-country skiing, snowmobile rides, and snowshoeing.

MUNICIPAL GOVERNMENT

The Town of Truckee is a Charter Town, incorporated on March 23, 1993. The Town has a council/manager form of government. Five persons are elected by popular vote to serve four-year terms on the Town Council. Elections are held every other year, and the terms are staggered. The next General Municipal Election will be held on November 5, 2020, to elect two council members for four year terms. Councilmember Goodwin is expected to resign his membership on the Town Council on August 16, 2019. The Town Council accepted applications for the upcoming vacancy through July 24, 2019 and is expected to interview candidates at the Town Council’s meeting on August 27, 2019. Once appointed, the newly appointed Councilmember will serve until the term expires on November 2020, at which time an election will determine the new Councilmember. Each December the council members choose which of them will serve the following year as Mayor and Vice Mayor. In addition, the Town Manager and Town Attorney are appointed by the Town Council.

The public services that the Town is responsible for include road maintenance, snow removal, law enforcement, animal control, transit, land use planning, building inspection and code enforcement.

POPULATION

Since 2014, the Town of Truckee’s population has grown by approximately 4.7%. In 2014, the Town’s population was 15,933 compared to the 2018 figure of 16,681.

Table A sets forth total population statistics for the Town and the County for the last five years.

TABLE A
TOWN OF TRUCKEE AND COUNTY OF NEVADA
Population

Year	Truckee	Percent Change	County of Nevada	Percent Change
2014	15,933	-	97,842	-
2015	16,046	0.71%	98,217	0.38%
2016	16,148	0.64	98,520	0.31
2017	16,271	0.76	98,613	0.09
2018	16,681	2.52	99,155	0.55

Source: California Department of Finance.

DEMOGRAPHICS

The County, with a population of 99,155, has shown a slight decrease in growth during the past few years. While the unemployment rate in the County has decreased, the comparative median family income and taxable transactions in the County have increased. Set forth below are selected comparable income statistics for the County.

TABLE B
COUNTY OF NEVADA
Comparative Median Family Income

Area	2016	2017*	% Change
Nevada County	\$70,704	\$75,931	7.39%
State of California	72,952	76,975	5.51
National	67,871	70,850	4.39

* Most recent data available.

Source: U.S. Census Bureau, American FactFinder 2017.

TABLE C
COUNTY OF NEVADA
Comparative Personal Income
(millions of dollars)

Area	2014	2015	2016	2017*
County of Nevada	\$ 5,180	\$ 5,470	\$ 5,741	\$ 5,960
California – non-metropolitan	33,720	35,582	37,798	39,321
California	1,977,924	2,103,669	2,259,414	2,364,129

* Most recent data available.

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

EMPLOYMENT

Annual employment statistics in the County are set forth in Table D.

**TABLE D
COUNTY OF NEVADA
Labor Force, 2013-2017**

Year	Civilian Labor Force	Employed Labor Force⁽¹⁾	Unemployed Labor Force⁽²⁾	Unemployment Rate⁽³⁾
2013	47,630	44,230	2,120	7.2%
2014	47,870	45,170	2,360	5.6
2015	47,990	45,630	2,700	4.9
2016	48,500	46,380	2,120	4.4
2017	48,670	46,670	2,000	4.1

⁽¹⁾ Includes persons involved in labor-management trade disputes.

⁽²⁾ Includes all persons without jobs who are actively seeking work.

⁽³⁾ The unemployment rate is computed from unrounded data; therefore, it may differ from rates computed from rounded figures in this table.

Source: State of California, Employment Development Department, Labor Market Information, Bureau of Labor Statistics, 2018.

An unemployment rate history, including Truckee, is set forth below. The unemployment rate in Truckee has been consistently lower than in the County and the State of California for the last five years.

**TABLE E
TOWN OF TRUCKEE
Comparative Unemployment Statistics
Unemployment Rate (%)
Annual Averages**

Year	Truckee	Nevada County	State of California	United States
2013	6.9%	7.2%	8.9%	7.4%
2014	5.4	5.6	7.5	6.2
2015	4.7	4.9	6.2	5.3
2016	4.2	4.4	5.4	4.9
2017	3.3	4.1	4.8	4.3

Source: State of California Employment Development Department, Labor Market Information, Bureau of Labor Statistics, 2018 and U.S. Department of Labor, Bureau of Labor Statistics, 2017.

COMMERCIAL ACTIVITY

Three incorporated jurisdictions are located in the County: the Town of Truckee, the City of Grass Valley, and the City of Nevada City. Trade outlet and retail sales activity are summarized in Tables F, G, and H which are based upon reports of the California State Board of Equalization.

TABLE F
NEVADA COUNTY
Taxable Sales by Jurisdiction
2016* (in thousands)

Jurisdiction	Retail and Food Services Totals	Total
Truckee	\$254,208	\$324,500
Grass Valley	409,026	479,034
Nevada City	60,051	76,967
County Unincorporated	218,274	453,896
Nevada County Total	\$941,559	\$1,334,397

* Most recent data available.

Source: California State Board of Equalization, Taxable Sales in California 2016.

TABLE G
NEVADA COUNTY
Taxable Sales by Type of Business
2016* (in thousands of dollars)

Type of Business	2016 Permits	Taxable Transactions
Motor Vehicle and Parts Dealers	117	\$ 86,453
Home Furnishings and Appliance Stores	160	56,717
Building Material and Garden Equipment and Supplies Dealers	144	188,852
Food and Beverage Stores	108	105,284
Gasoline Stations	33	104,997
Clothing and Clothing Accessories Stores	384	32,409
General Merchandise Stores	71	43,950
Food Services and Drinking Places	287	149,197
Other Retail Group	1,780	173,699
All Other Outlets	2,000	392,839
Total All Outlets	5,084	\$1,334,397

* Most recent data available.

Source: California State Board of Equalization, Taxable Sales in California Counties by Type of Business, 2016.

TABLE H
TOWN OF TRUCKEE
Taxable Sales by Type of Business
2016* (in thousands of dollars)

Type of Business	2016 Permits	Taxable Transactions
Motor Vehicle and Parts Dealers	20	\$ 8,403
Home Furnishings and Appliance Stores	41	20,249
Building Material and Garden Equipment and Supplies Dealers	22	61,888
Food and Beverage Stores	25	25,107
Gasoline Stations	11	31,711
Clothing and Clothing Accessories Stores	81	12,330
General Merchandise Stores ⁽¹⁾	5	0
Food Services and Drinking Places	72	56,000
Other Retail Group ⁽²⁾	255	38,520
All Other Outlets	333	70,292
Total All Outlets	865	\$324,500

* Most recent data available.

⁽¹⁾ Sales omitted because their publication would result in the disclosure of confidential information.

⁽²⁾ Adjusted for disclosure.

Source: California State Board of Equalization, Taxable Sales in California Cities by Type of Business, 2016.

The following tables reflect the Town's sales tax and transient occupancy tax (TOT) revenue, respectively, for the past ten years.

TABLE I
TOWN OF TRUCKEE
Sales Tax Annual Trends

Year	Total (in thousands of dollars)	% Change
2008-09	\$3,821	-
2009-10	3,539	(7)%
2010-11	3,541	0
2011-12	3,964	12
2012-13	4,101	3
2013-14	4,372	7
2014-15	5,595	28
2015-16	6,392	14
2016-17	7,449	17
2017-18	8,291	11

Source: Town of Truckee.

TABLE J
TOWN OF TRUCKEE
Transient Occupancy Tax Annual Trends

Year	Total (in thousands of dollars)	% Change
2008-09	\$1,334	-
2009-10	1,432	7%
2010-11	1,436	0
2011-12	1,351	(6)
2012-13	1,718	27
2013-14	1,843	7
2014-15	2,119	15
2015-16	2,820	33
2016-17	3,415	21
2017-18	3,399	0

Source: Town of Truckee.

BUILDING ACTIVITY

Table K summarizes the building activity for 2015 through 2018 in the Town of Truckee.

TABLE K
TOWN OF TRUCKEE
Building Permits and Valuation

New Single Family Residence Permits Issued by Fiscal Year

Fiscal Year	Permits Issued	Valuation
2015-16	106	\$ 46,907,340
2016-17	96	49,857,207
2017-18	82	46,307,383
2018-19*	91	60,900,620

New Commercial Permits Issued by Fiscal Year

Fiscal Year	Permits Issued	Valuation
2015-16	1	\$ 5,400
2016-17	7	6,324,000
2017-18	9	12,264,621
2018-19*	16	47,924,757

*Fiscal 2018-19 is year-to-date through June 30, 2019

Note: These values are derived from the Uniform Building Code construction values, which are estimated to be approximately one-half of the market values (i.e., the above valuation relates to construction value, not market/sales value).

Source: Town of Truckee.

UTILITIES

Electric power is provided by Truckee Donner Public Utility District and Liberty Utilities. Truckee Donner Public Utility District also provides water. AT&T and (Altice) Suddenlink Communications provides telephone service and sewer service is provided by Truckee Sanitary District and Tahoe-Truckee Sanitation Agency.

TRANSPORTATION

Interstate 80, the major east-west trans-Sierra “all weather” highway, passes through the Town on its way between California and Nevada. Truckee is the gateway to the North Lake Tahoe resort areas. Two highways, State Route 89 and State Route 267, serve the north shore communities of Lake Tahoe.

Greyhound Bus Lines and Amtrak provide service at the downtown Truckee Intermodal Transportation Terminal. Local and regional transportation is available throughout town via the Truckee Trolley, TART bus and/or Truckee Dial-a-Ride.

Truckee Tahoe Airport serves the general aviation needs of the area. Air passenger and cargo service are available at the Reno-Tahoe International Airport in Reno, Nevada and can be reached by freeway in approximately thirty minutes.

EDUCATION

Public educational services in the Town, from the elementary grades through high school, are provided to residents by the Tahoe Truckee Unified School District. Located within the Town limits are two public elementary schools, one middle school, one high school and one continuation high school. In addition, there are two charter schools located in Truckee.

Sierra College, based in Rocklin, California, provides a Tahoe-Truckee extension campus. Sierra College is a public two-year community college with current enrollment of approximately 18,565 students. The enrollment for the Tahoe-Truckee campus is approximately 1,000 students.

The nearest colleges to the east of Truckee include Truckee Meadows Community College in Reno, Nevada, Sierra Nevada College in Incline Village, Nevada, and the University of Nevada, Reno (UNR). UNR is the oldest institution of seven in the Nevada System of Higher Education, having opened its doors in Reno in 1885. Current enrollment at UNR is approximately 19,911 students.

COMMUNITY FACILITIES

Tahoe Forest Hospital is a full-service hospital located in Truckee. It is also the only hospital in the North Lake Tahoe area, serving a full-time population of 40,000 and a population of 70,000 during peak tourist periods. Other full-service hospitals serving Truckee residents in neighboring communities are located in Reno, Nevada, including Renown Medical Center and St. Mary’s Regional Medical Center.

Fire protection services are provided by the Truckee Fire Protection District. Wildland fire protection is provided by the California Department of Forestry.

A branch of the Nevada County Library System is located in Truckee. The Town is also served by a radio station, local newspapers, and a public service television station.

Recreation services are provided by the Truckee-Donner Recreation and Park District. The

district provides a variety of services including several parks, playgrounds, recreation center, swimming pool, and other recreational activities and programs.

Donner Memorial State Park is located within the Town and is located near the shores of Donner Lake.

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS

Certain provisions of the Facility Lease, the Site Lease and the Trust Agreement, not previously discussed in this Official Statement, are summarized below. These summaries do not purport to be complete or definitive and are qualified in their entirety by reference to the full terms of the documents.

CERTAIN DEFINITIONS

The following are definitions of certain of the terms defined in the Facility Lease or the Trust Agreement, to which reference is hereby made. The following definitions are equally applicable to both the singular and plural forms of the terms defined herein. Capitalized terms not otherwise defined herein will have the meaning assigned to such term in the Trust Agreement or, if not defined therein, in the Facility Lease.

“Act” means the Joint Exercise of Powers Act (being Chapter 5 of Division 7 of Title 1 of the Government Code of the State, as amended) and all laws amendatory thereof or supplemental thereto.

“Additional Payments” means all amounts payable to the Authority or the Trustee or any other person from the Town as Additional Payments pursuant to the Facility Lease.

“Architects” means the architects, engineers or designers of the Project, and any successor or successors to any thereof.

“Authority” means (i) Truckee Public Financing Authority, acting as lessor pursuant to the Facility Lease; (ii) any surviving, resulting or transferee entity; and (iii) except where the context requires otherwise, any assignee of the Authority.

“Base Rental Payments” means, collectively, the 2009A Base Rental Payments, the 2009B Base Rental Payments, the 2017 Base Rental Payments and the 2019 Base Rental Payments.

“Base Rental Payment Schedules” means the schedules of Base Rental Payments payable to the Authority from the Town pursuant to the provisions of the Facility Lease and attached thereto as Exhibit B, Exhibit C, Exhibit D and Exhibit E.

“Bond Insurance Policy” means any policy or policies of insurance or financial guaranty bond insuring the scheduled payment of the amounts of principal of and interest on the Bonds and issued by a Bond Insurer.

“Bond Insurer” means any insurance company or companies which has or have issued any Bond Insurance Policy (as such term is defined in the Trust Agreement) insuring payment of the amounts of principal of and interest on the Bonds or any series or portion thereof.

“Bonds” means the Series 2009 Bonds, Series 2017 Bonds, Series 2019 Bonds and all Additional Bonds. The term “Series 2009 Bonds” means the Series 2009A bonds and the Series 2009B bonds. The term “Series 2009A Bonds” means the Truckee Public Financing Authority Lease Revenue Bonds (Public Service Facility Project), Series 2009A (Tax-Exempt) authorized by and at any time Outstanding pursuant to the Trust Agreement and executed, issued and delivered in accordance thereto. The term “Series 2009B Bonds” means the Truckee Public Financing Authority Lease Revenue Bonds (Public Service Facility Project), Series 2009B (Taxable) authorized by and at any time Outstanding pursuant to the Trust Agreement and executed, issued and delivered in accordance thereto. The term “Series 2017 Bonds” means the Truckee Public Financing Authority Lease Revenue Refunding Bonds, Series 2017 (Bank Qualified) authorized by and at any time Outstanding pursuant to the Trust Agreement and executed, issued and delivered in accordance thereto. The term “Series 2019 Bonds” means the Truckee Public Financing Authority Lease Revenue Bonds, Series 2019 (Bank Qualified) authorized by and at any time Outstanding pursuant to the Trust Agreement and executed, issued and delivered in accordance thereto. The

term “Additional Bonds” means all bonds of the Authority authorized by and at any time Outstanding pursuant to the Trust Agreement and executed, issued and delivered in accordance thereto. The term “Serial Bonds” means Bonds for which no sinking fund payments are provided. The term “Term Bonds” means Bonds which are payable on or before their specified maturity dates from sinking fund payments established for that purpose and calculated to retire such Bonds on or before their specified maturity dates.

“Business Day” means any day other than a Saturday or Sunday or day upon which the Trustee is authorized by law to remain closed.

“Certificate of the Authority” means an instrument in writing signed by the Chairperson, Executive Director, Secretary or Treasurer of the Authority, or by any other officer of the Authority duly authorized by the Authority for that purpose.

“Certificate of the Town” means an instrument in writing signed by the Mayor of the Town, Town Manager of the Town, Administrative Services Director, or by any such officers’ duly appointed designee, or by any other officer of the Town duly authorized by the Town Council of the Town for that purpose.

“Code” means the Internal Revenue Code of 1986.

“Continuing Disclosure Certificate” means those certain Continuing Disclosure Certificates of the Town each dated the date of issuance and delivery of the respective series of Bonds, as originally executed and as they may be amended from time to time in accordance with the respective terms thereof.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the Town or the Authority and related to the authorization, execution and delivery of the Site Lease, the Facility Lease, the Trust Agreement and the sale of the Bonds, including, but not limited to, costs of preparation and reproduction of documents, costs of rating agencies and costs to provide information required by rating agencies, filing and recording fees, initial fees and charges of the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, fees and expenses of the underwriter, fees and charges for preparation, execution and safekeeping of the Bonds, fees of the Authority and any other cost, charge or fee in connection with the original execution and delivery of the Bonds.

“Costs of Issuance Fund” means each such fund established pursuant to the Trust Agreement for each applicable series of Bonds.

“Debt Service” means, for any Fiscal Year or other period, the sum of (1) the interest accruing during such Fiscal Year or period on all Outstanding Bonds, assuming that all Outstanding Serial Bonds are retired as scheduled and that all Outstanding Term Bonds are redeemed or paid from sinking fund payments as scheduled (except to the extent that such interest is to be paid from the proceeds of sale of any Bonds), (2) that portion of the principal amount of all Outstanding Serial Bonds maturing on the next succeeding principal payment date that would have accrued during such Fiscal Year or period if such principal amount were deemed to accrue daily in equal amounts from the next preceding principal payment date or during the year preceding the first principal payment date, as the case may be, and (3) that portion of the principal amount of all Outstanding Term Bonds required to be redeemed or paid on the next succeeding redemption date (together with the redemption premiums, if any, thereon) that would have accrued during such Fiscal Year or period if such principal amount (and redemption premiums) were deemed to accrue daily in equal amounts from the next preceding redemption date or during the year preceding the first redemption date, as the case may be.

“Defeased 2009A Bonds” means the portion of the Outstanding bonds issued by the Authority designated as “Truckee Public Financing Authority Lease Revenue Bonds Series 2009A (Tax-Exempt) (Public Service Facility Project)” maturing December 1, 2020 through December 1, 2024.

“Event of Default” will have the meaning specified in the Trust Agreement. See “Trust Agreement – Defaults and Remedies.”

“Facility Lease” means that certain lease, entitled “Second Amended and Restated Facility Lease,” by and between the Authority and the Town, dated as of August 1, 2019, which is amendatory to and restates the Amended and Restated Facility Lease, by and between the Authority and the Town, dated as of September 1, 2017, which amended the Facility Lease, dated as of September 1, 2009, by and between the Authority and the Town, as originally executed and recorded or as it may from time to time be supplemented, modified or amended pursuant to the provisions of the Trust Agreement and Facility Lease.

“Fiscal Year” means the twelve month period terminating on June 30 of each year, or any other annual accounting period selected and designated by the Authority as its Fiscal Year in accordance with applicable law.

“Interest Payment Date” means a date on which interest is due on the Bonds, being June 1 and December 1 of each year to which reference is made, commencing on December 1, 2009 with respect to the Series 2009 Bonds, and commencing on December 1, 2017 with respect to the Series 2017 Bonds.

“Lease” means the Facility Lease, as originally executed and recorded or as it may from time to time be supplemented, modified or amended pursuant to the provisions thereof and of the Trust Agreement.

“Leased Property” means that certain real property and improvements thereon situated in the Town of Truckee, State of California, described in the Facility Lease, together with any additional real property added thereto by any supplement or amendment hereto, or any real property substituted for all or any portion of the Leased Property in accordance with the Facility Lease and the Trust Agreement; subject, however, to any conditions, reservations and easements of record or known to the Town.

“Moody’s” means Moody’s Investors Service, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency selected by the Town.

“Opinion of Counsel” means a written opinion of counsel of recognized national standing in the field of law relating to municipal bonds, appointed and paid by the Authority.

“Outstanding,” when used as of any particular time with reference to Bonds, means (subject to the provisions of the Trust Agreement) all Bonds except

- (1) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;
- (2) Bonds paid or deemed to have been paid within the meaning of the defeasance section of the Trust Agreement; and
- (3) Bonds in lieu of or in substitution for which other Bonds will have been executed, issued and delivered by the Authority pursuant to the Trust Agreement.

“Permitted Encumbrances” means (1) liens for general ad valorem taxes and assessments, if any, not then delinquent, or which the Town may, pursuant to the Facility Lease, permit to remain unpaid; (2) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record as of the date of recordation of the Facility Lease in the office of the County Recorder of Nevada County and which the Town certifies in writing will not materially impair the use of the Leased Property; (3) the Site Lease, as it may be amended from time to time; (4) the Facility Lease, as it may be amended from time to time; (5) the Trust Agreement, as it may be amended from time to time; (6) any right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law; (7) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions to which the Authority and the Town consent in writing and (8) liens relating to special assessments levied with respect to the Leased Property.

“Permitted Investments” means any of the following obligations if and to the extent that, at the time of making such investment, they are permitted by applicable law:

(1) Direct obligations of (including obligations issued or held in book-entry form on the books of) the Department of the Treasury of the United States of America;

(2) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:

- Export-Import Bank
- Farm Credit System Financial Assistance Corporation
- Rural Economic Community Development Administration (formerly the Farmers Home Administration)
- General Services Administration
- U.S. Maritime Administration
- Small Business Administration
- Government National Mortgage Association (GNMA)
- U.S. Department of Housing & Urban Development (PHA’s)
- Federal Housing Administration
- Federal Financing Bank;

(3) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:

- Senior debt obligations rated on the date of purchase “Aaa” by Moody’s and “AAA” by S&P issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC)
- Obligations of the Resolution Funding Corporation (REFCORP)
- Senior debt obligations of the Federal Home Loan Bank System
- Senior debt obligations of other Government Sponsored Agencies;

(4) U.S. dollar denominated deposit accounts, federal funds and bankers’ acceptances with domestic commercial banks (including the Trustee and its affiliates and subsidiaries) which have a rating on their short-term certificates of deposit on the date of purchase of “A-1” or “A-1+” by S&P and “P-1” by Moody’s and maturing no more than 360 days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);

(5) Commercial paper which is rated at the time of purchase in the single highest classification, “A-1+” by S&P and “P-1” by Moody’s and which matures not more than 270 days after the date of purchase;

(6) Investments in a money market fund rated at the time of purchase “AAAm” or “AAAm-G” by S&P, including such funds for which the Trustee or an affiliate of the Trustee acts as an investment advisor or provides other services;

(7) Pre-refunded municipal obligations defined as follows: Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(A) which are rated based on an irrevocable escrow account or fund (the “escrow”) in the highest rating category of S&P and Moody’s or any successors thereto; or

(B) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph (1) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;

(8) General obligations of states with a rating at the time of purchase of at least “A2/A” or higher by both Moody’s and S&P;

(9) Investment agreements permitted by applicable law and with notice to S&P; and

(10) Other forms of investment (including repurchase agreements) permitted by applicable law and with notice to S&P.

The value of the above investments shall be determined as follows:

“Value”, which shall be determined as of the end of each month, means that the value of any investments shall be calculated as follows:

(a) As to investments the bid and asked prices of which are published on a regular basis in The Wall Street Journal (or, if not there, then in The New York Times): the average of the bid and asked prices for such investments so published on or most recently prior to such time of determination;

(b) As to investments the bid and asked prices of which are not published on a regular basis in The Wall Street Journal or The New York Times: the average bid price at such time of determination for such investments by any two nationally recognized government securities dealers (selected by the Trustee in its absolute discretion) at the time making a market in such investments or the bid price published by a nationally recognized pricing service;

(c) As to certificates of deposit and bankers acceptances: the face amount thereof, plus accrued interest;

(d) As to any investment not specified above: the value thereof established by prior agreement between the Authority and the Trustee; and

(e) Alternatively, the value of the above investments shall be determined as of the end of each month by the manner currently employed by the Trustee or any other manner consistent with industry standard.

“Prior Bonds” means, collectively, the Defeased 2009A Bonds and the Refunded 2009B Bonds.

“Project” means a corporation yard for the Town known as the Public Service Facility and related facilities together with site development, landscaping, utilities, fixtures, furnishings, equipment, improvements and appurtenant and related facilities, located on certain property of the Town.

“Refunded 2009B Bonds” means the bonds issued by the Authority designated as the “Truckee Public Financing Authority Lease Revenue Bonds Series 2009B (Taxable) (Public Service Facility Project),” being those maturing December 1, 2029 and December 1, 2039.

“Reserve Account Requirement” means with respect to any Additional Bonds the amount, if any, specified in the Supplemental Trust Agreement providing for the issuance of such Additional Bonds.

“Reserve Fund” means the Reserve Fund established pursuant to the provisions of the Trust Agreement.

“Reserve Fund Requirement” means an amount equal to the least of (i) ten percent (10%) of the initial offering price of the Bonds to the public, (ii) one hundred twenty-five percent (125%) of the average annual debt service on all Outstanding Bonds, or (iii) maximum annual debt service on all Outstanding Bonds, calculated on a Fiscal Year basis; provided, however, that with respect to Bonds that are issued as “Build America Bonds,” the interest component of annual debt service shall be calculated at 65% of the actual interest due with respect to such Bonds.

“Revenues” means (i) all Base Rental Payments and other payments paid by the Town and received by the Authority pursuant to the Facility Lease (but not Additional Payments), and (ii) all interest or other income from any investment of any money in any fund or account (other than the Rebate Fund) established pursuant to the Trust Agreement or the Facility Lease.

“S&P” means S&P Global Ratings, a corporation duly organized and existing under and by virtue of the laws of the State of New York, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “S&P” shall be deemed to refer to any other nationally recognized securities rating agency selected by the Town.

“Series,” whenever used in the Trust Agreement with respect to Bonds, means all of the Bonds designated as being of the same series, authenticated and delivered in a simultaneous transaction, regardless of variations in maturity, interest rate, redemption and other provisions, and any Bonds thereafter authenticated and delivered upon transfer or exchange of or in lieu of or in substitution for (but not to refund) such Bonds as provided in the Trust Agreement.

“Series 2009 Bonds” means the bonds issued by the Authority under and pursuant to the Trust Agreement, the proceeds of which are for the financing of the acquisition and construction of the Project.

“Series 2017 Bonds” means the bonds issued by the Authority under and pursuant to the Trust Agreement, the proceeds of which are for the refunding of the Prior Bonds.

“Series 2019 Account” means the account by that name established within the Reserve Fund pursuant to Section 20.01.

“Series 2019 Bonds” means the bonds issued by the Authority under and pursuant to the Trust Agreement and this Second Supplemental Trust Agreement, the proceeds of which will be applied to the acquisition, improvement and renovation of a corporation yard and related facilities for the Town, the funding of a reserve fund and the payment of costs related thereto.

“State” means the State of California.

“Second Supplemental Trust Agreement” means the Second Supplemental Trust Agreement, dated as of August 1, 2019, by and between the Trustee and the Authority, executed and delivered in accordance with the Trust Agreement and which is supplemental to the Trust Agreement.

“Supplemental Trust Agreement” means any trust agreement then in full force and effect which has been duly executed and delivered by the Authority and the Trustee amendatory of the Trust Agreement or supplemental to the Trust Agreement; but only if and to the extent that such Supplemental Trust Agreement is specifically authorized under the Trust Agreement.

“Site Lease” means that certain lease, entitled “Second Amended and Restated Site Lease,” by and between the Town and the Authority, dated as of August 1, 2019, which is amendatory to and restates the Amended and Restated Site Lease, by and between the Town and the Authority, dated as of September 1, 2017, which amended the Site Lease, dated as of September 1, 2009, by and between the Authority and the Town, as originally executed and recorded or as it may from time to time be supplemented, modified or amended pursuant to the provisions of the Trust Agreement and the Site Lease.

“Tax Certificate” means the Tax Certificate delivered by the Authority at the time of the issuance and delivery of a series of Bonds, as the same may be amended or supplemented in accordance with its terms.

“Town” means the Town of Truckee, California, a municipal corporation duly organized and existing under its charter and the Constitution and laws of the State of California.

“Trustee” means Zions Bancorporation, National Association, or any other association or corporation which may at any time be substituted in its place as provided pursuant to the provisions of the Trust Agreement.

“Trust Agreement” means the trust agreement, entitled “Trust Agreement” and dated as of September 1, 2009, as supplemented by the Supplemental Trust Agreement, dated as of September 1, 2017, by and between the Authority and the Trustee, and the Second Supplemental Trust Agreement, dated as of August 1, 2019, pursuant to which the Trustee has delivered the Series 2009 Bonds and the Series 2017 Bonds and will deliver the Series 2019 Bonds, as originally executed or as it may from time to time be supplemented, modified or amended by a Supplemental Trust Agreement entered into pursuant to the provisions of the Trust Agreement.

“Written Request of the Authority” means an instrument in writing signed by or on behalf of the Authority by its Chairperson, Executive Director, Secretary or Treasurer or by any other officer of the Authority duly authorized by the Authority for that purpose.

“Written Request of the Town” means an instrument in writing signed by the Mayor of the Town, Town Manager, Administrative Services Director or by any such officers duly appointed designee, or by any other officer of the Town duly authorized by the Town Council of the Town to the Trustee for that purpose.

“2009A Base Rental Payments” means all amounts payable to the Authority from the Town as 2009A Base Rental Payments pursuant to the Facility Lease.

“2009B Base Rental Payments” means all amounts payable to the Authority from the Town as 2009B Base Rental Payments pursuant to the Facility Lease.

“2017 Base Rental Payments” means all amounts payable to the Authority from the Town as 2017 Base Rental Payments pursuant to the Facility Lease.

“2019 Base Rental Payments” means all amounts payable to the Authority from the Town as 2019 Base Rental Payments pursuant to the Facility Lease.

FACILITY LEASE

Lease of Leased Property

The Authority leases to the Town and the Town leases from the Authority the Leased Property, subject, however, to all easements, encumbrances, and restrictions that exist at the time of the commencement of the term of the Facility Lease. The Town agrees and covenants during the term of the Facility Lease that, except as provided therein, it will use the Project and the Leased Property for public and Town purposes so as to afford the public the benefits contemplated by the Facility Lease.

The leasing by the Town to the Authority of the Leased Property shall not effect or result in a merger of the Town's leasehold estate pursuant to the Facility Lease and its fee estate as lessor under the Site Lease, and the Authority shall continue to have and hold a leasehold estate in said Leased Property pursuant to the Site Lease throughout the term thereof and the term of the Facility Lease. As to said Leased Property the Facility Lease shall be deemed and constitute a sublease.

The Authority leases to the Town and the Town accepts any real property conveyed under the Facility Lease and leases from the Authority the Leased Property.

Term; Occupancy

The term of the Facility Lease shall commence on the earlier of the date of recordation of the Facility Lease in the office of the County Recorder of Nevada County, State of California, or on the expected date of closing of the Series 2019 Bonds, whichever is earlier, and shall end on May 1, 2049, unless such term is extended or sooner terminated as provided in the Facility Lease. If on May 1, 2049, the Bonds shall not be fully paid, or if the rental payable under the Facility Lease shall have been abated at any time and for any reason, then the term of the Facility Lease shall be extended until ten (10) days after all Bonds shall be fully paid, except that the term of the Facility Lease shall in no event be extended beyond May 1, 2059. If prior to May 1, 2049 all Bonds shall be fully paid, or provision therefor made, the term of the Facility Lease shall end ten (10) days thereafter or ten (10) days after written notice by the Town to the Authority, whichever is earlier.

Purpose of Lease

The Town covenants that during the term of the Facility Lease, except as provided in the Facility Lease, (a) it will use, or cause the use of, the Leased Property for public purposes and for the purposes for which the Leased Property are customarily used, (b) it will not vacate or abandon the Leased Property or any part thereof, and (c) it will not make any use of the Leased Property which would jeopardize in any way the insurance coverage required to be maintained pursuant to the Facility Lease.

Substitution

The Town and the Authority may substitute real property as part of the Leased Property for purposes of the Site Lease and the Facility Lease, but only after the Town shall have filed with the Authority and the Trustee all of the following:

(a) Executed copies of the Site Lease and the Facility Lease or amendments thereto containing the amended description of the Leased Property, including the legal description of the Leased Property as modified if necessary.

(b) A Certificate of the Town with copies of the Site Lease and the Facility Lease, if needed, or amendments thereto containing the amended description of the Leased Property and stating that such documents have been duly recorded in the official records of the County Recorder of Nevada County.

(c) A Certificate of the Town, accompanied by an MAI fair market appraisal, from a qualified appraiser, who may but need not be an employee of the Town, evidencing that the annual fair rental value of the

Leased Property which will constitute the Leased Property after such substitution will be at least equal to 100% of the maximum amount of Base Rental Payments becoming due in the then current year ending June 1 and in any subsequent year ending June 1 and that the value of the substituted property is at least equal to the value of the released property.

(d) A CLTA leasehold owner's policy or policies or a commitment for such policy or policies or an amendment or endorsement to an existing policy or policies resulting in title insurance with respect to the Leased Property after such substitution in an amount at least equal to the principal amount of Bonds then Outstanding; each such insurance instrument, when issued, shall name the Trustee as the insured, and shall insure the leasehold estate of the Authority in such substituted property subject only to such exceptions as do not substantially interfere with the Town's right to use and occupy such substituted property and as will not result in an abatement of Base Rental Payments payable by the Town under the Facility Lease.

(e) A Certificate of the Town stating that the Town has beneficial use and occupancy of the Leased Property.

(f) An Opinion of Counsel (as such term is defined in the Trust Agreement) stating that such amendment or modification (i) is authorized or permitted by laws of the State and the Facility Lease; (ii) complies with the terms of the Facility Lease; (iii) will, upon the execution and delivery thereof, be valid and binding upon the Authority and the Town in accordance with its terms; and (iv) in and of itself, will not cause the interest on the Series 2009 A Bonds, the Series 2017 Bonds or the Series 2019 Bonds to be included in gross income for federal income tax purposes.

(g) A Certificate of the Town stating that the useful life of the substituted property meets or exceeds the remaining life of the Bonds.

(h) No prior liens, other than Permitted Encumbrances, shall exist on the substituted property.

(i) The Authority will provide written notification of any substitution to the applicable rating agency.

Notwithstanding anything to the contrary contained in the Facility Lease, the Town and the Authority may substitute real property comprised of all or a portion of the Project (the "Project Leased Property") as part of or in substitution of the Leased Property for purposes of the Site Lease and the Facility Lease without complying with the requirements of paragraphs (c), (d) and (h) above, so long as the Town has beneficial use and occupancy of the Project Leased Property.

Rental Payments

Base Rental Payments. The Town agrees to pay to the Authority, as Base Rental Payments for the use and occupancy of the Leased Property (subject to the provisions of the Facility Lease) annual rental payments with principal and interest components, the interest components being payable semi-annually, in accordance with the Base Rental Payment Schedules attached to the Facility Lease as Exhibit B (with respect to 2009A Base Rental Payments), Exhibit C (with respect to 2017 Base Rental Payments), Exhibit D (with respect to 2009B Base Rental Payments) and Exhibit E (with respect to the 2019 Base Rental Payments), and made a part thereof. Base Rental Payments will be calculated on an annual basis, for the twelve-month periods commencing on May 1 and ending on April 30, except that the first Base Rental Payment period commenced on September 8, 2009 and ended on November 30, 2009 with respect to the Series 2009 Bonds, commences on September 20, 2017 and ends on November 30, 2017 with respect to the Series 2017 Bonds, and commences on the closing date of the Series 2019 Bonds and ends on November 30, 2019 with respect to the Series 2019 Bonds. Each Base Rental Payment installment will be payable 15 days in advance of its due date. Each annual payment of Base Rental will be for the use of the Leased Property following acquisition thereof.

If the term of the Facility Lease will have been extended pursuant the terms thereof, Base Rental Payment installments will continue to be due on May 1 and November 1 in each year, and payable as hereinabove

described, continuing to and including the date of termination of the Facility Lease, in an amount equal to the amount of Base Rental payable for the twelve-month period ending April 30, 2049 and due on May 1, 2049.

Additional Payments. The Town will also pay such amounts (the “Additional Payments”) as will be required by the Authority for the payment of all costs and expenses incurred by the Authority in connection with the execution, performance or enforcement of the Facility Lease or any assignment thereof, the Trust Agreement, the Site Lease, its interest in the Leased Property and the lease of the Leased Property to the Town, including but not limited to payment of all fees, costs and expenses and all administrative costs of the Authority related to the Leased Property, including, without limiting the generality of the foregoing, salaries and wages of employees, all expenses, compensation and indemnification of the Trustee payable by the Authority under the Trust Agreement, fees of auditors, accountants, attorneys or architects, and all other necessary administrative costs of the Authority or charges required to be paid by it in order to maintain its existence or to comply with the terms of the Bonds or of the Trust Agreement or of the Facility Lease; but not including as Additional Payments amounts required to pay the principal of or interest on the Bonds.

Fair Rental Value

Payments of Base Rental Payments for each rental period during the term of the Facility Lease will constitute the total rental for said rental period and will be paid by the Town in each rental payment period for and in consideration of the right of use and occupancy of, and continued quiet use and enjoyment of, the Leased Property during each such period for which said rental is to be paid. The parties to the Facility Lease have agreed and determined that such total rental payable for each twelve-month period beginning May 1 represents no more than the fair rental value of the Leased Property for each such period. In making such determination, consideration has been given to costs of acquisition, design, construction and financing of the Project, other obligations of the parties under the Facility Lease, the uses and purposes which may be served by the Leased Property, the expected revenues to be generated by the Leased Property, and the benefits therefrom which will accrue to the Town and the general public.

Rental Abatement

The Base Rental Payments will be abated proportionately, during any period in which by reason of any damage or destruction (other than by condemnation as described under “Prepayment” below) there is substantial interference with the use and occupancy of the Leased Property by the Town, in the proportion in which the initial cost of that portion of the Leased Property rendered unusable bears to the initial cost of the whole of the Leased Property. Such abatement will continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction. In the event of any such damage or destruction, the Facility Lease will continue in full force and effect and the Town waives any right to terminate the Facility Lease by virtue of any such damage or destruction.

Appropriations Covenant

The Town covenants to take such action as may be necessary to include all such Base Rental Payments and Additional Payments due under the Facility Lease in its annual budgets, and to make necessary annual appropriations for all such Base Rental Payments and Additional Payments. The Town will deliver to the Authority and the Trustee copies of the portion of each annual Town budget relating to the payment of Base Rental Payments and Additional Payments under the Facility Lease within 30 days after the filing or adoption thereof.

Design, Approval and Construction of the Project

The Town agrees to comply with all State approval, environmental and construction permit requirements applicable to the design and construction thereof. The Authority and the Town agree that the Project will be constructed in accordance with the plans and specifications prepared and to be prepared by the Architects and approved and to be approved by the Town. The Authority and the Town further agree that the Project will be substantially completed in accordance with said plans and specifications within the time limits to be set forth in said construction contracts.

The Town agrees that construction or improvement of the Project will not interfere with the Town's use and occupancy of the Leased Property.

The Town may issue change orders altering the construction contract plans and specifications during the course of construction, if such changes do not materially reduce or diminish the capacity, adaptability or usefulness of the Project. Before the Town shall issue any such change orders which, together with all other change orders, would increase the aggregate cost of construction of the Project above the moneys available or to be available for such purpose in the Acquisition and Construction Fund, the Town shall pay the increased cost resulting from such change orders, if required by the terms of the Trust Agreement, shall deposit funds sufficient to pay such increased cost with the Trustee.

Maintenance and Utilities

During such time as the Town is in possession of the Leased Property, all maintenance and repair, both ordinary and extraordinary, of the Leased Property will be the responsibility of the Town, which will at all times maintain or otherwise arrange for the maintenance of the Leased Property in first class condition, and the Town will pay for or otherwise arrange for the payment of all utility services supplied to the Leased Property, which may include, without limitation, janitor service, security, power, gas, telephone, light, heating, ventilation, air conditioning, water and all other utility services, and will pay for or otherwise arrange for payment of the cost of the repair and replacement of the Leased Property resulting from ordinary wear and tear or want of care on the part of the Town or any assignee or sublessee thereof or any other cause and will pay for or otherwise arrange for the payment of all insurance policies required to be maintained with respect to the Leased Property. In exchange for the rental provided in the Facility Lease, the Authority agrees to provide only the Leased Property.

Changes to the Leased Property

The Town will, at its own expense, have the right to remodel the Leased Property or to make additions, modifications and improvements to the Leased Property. All such additions, modifications and improvements will thereafter comprise part of the Leased Property and be subject to the provisions of the Facility Lease. Such additions, modifications and improvements will not in any way damage the Leased Property or cause them to be used for purposes other than those authorized under the provisions of State and federal law; and the Leased Property, upon completion of any additions, modifications and improvements made pursuant to the Facility Lease, will be of a value which is at least equal to the value of the Leased Property immediately prior to the making of such additions, modifications and improvements.

Installation of Town's Equipment

The Town and any sublessee may at any time and from time to time, in its sole discretion and at its own expense, install or permit to be installed other items of equipment or other personal property in or upon the Leased Property. All such items will remain the sole property of such party, in which neither the Authority nor the Trustee will have any interest, and may be modified or removed by such party at any time provided that such party will repair and restore any and all damage to the Leased Property resulting from the installation, modification or removal of any such items.

Insurance

The Town shall procure or cause to be procured and maintain or cause to be maintained, throughout the term of the Lease insurance against loss or damage to any structures constituting any part of the Leased Property by fire and lightning, with extended coverage insurance, vandalism and malicious mischief insurance and sprinkler system leakage insurance, and earthquake insurance, if available on the open market from a reputable insurance company at a reasonable cost, as determined by the Town. Said extended coverage insurance shall, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance. Such insurance shall be in an amount equal to the replacement cost (without deduction for depreciation) of all structures constituting any part of the Leased Property, excluding the cost of excavations, of grading and filling, and of the land (except that such earthquake

insurance may be subject to a deductible clause of not to exceed 10% of said replacement cost for any one loss and except that such other insurance may be subject to deductible clauses for any one loss of not to exceed \$250,000 or a comparable deductible adjusted for inflation), or, in the alternative, shall be in an amount and in a form sufficient, in the event of total or partial loss, to enable a portion of all Bonds then Outstanding equal to the amount of such Bonds to be paid from Base Rental Payments to be redeemed.

In the event of any damage to or destruction of any part of the Leased Property caused by the perils covered by such insurance, the Town, except as hereinafter provided, shall cause the proceeds of such insurance to be used for the repair, reconstruction or replacement of the damaged or destroyed portion of the Leased Property, and the Trustee shall hold said proceeds separate and apart from all other funds, in a special fund to be designated the "Insurance and Condemnation Fund," to the end that such proceeds shall be applied to the repair, reconstruction or replacement of the Leased Property to at least the same good order, repair and condition as it was in prior to the damage or destruction, insofar as the same may be accomplished by the use of said proceeds. The Trustee shall withdraw said proceeds from time to time upon receiving the Written Request of the Town, stating that the Town has expended moneys or incurred liabilities in an amount equal to the amount therein requested to be paid over to it for the purpose of repair, reconstruction or replacement, and specifying the items for which such moneys were expended, or such liabilities were incurred, and containing the additional information required to be included in a Written Request of the Town prepared pursuant to the Trust Agreement. Any balance of said proceeds not required for such repair, reconstruction or replacement shall be transferred to the Trustee and treated by the Trustee as Base Rental Payments and applied in the manner provided in the Trust Agreement. Alternatively, the Town, if the proceeds of such insurance and any amounts transferable from the Reserve Fund as allocable to the Bonds to be redeemed, together with any other moneys then available for the purpose are at least sufficient to redeem an aggregate principal amount of Outstanding Bonds equal to the amount of Outstanding Bonds attributable to the portion of the Leased Property so destroyed or damaged may elect not to repair, reconstruct or replace the damaged or destroyed portion of the Project and thereupon said proceeds shall be used for the redemption of Outstanding Bonds pursuant to the provisions of the Trust Agreement.

The Authority and the Town shall promptly apply for federal disaster aid or State disaster aid in the event that the Leased Property is damaged or destroyed as a result of an earthquake or other disaster occurring at any time. Any proceeds received as a result of such disaster aid shall be used to repair, reconstruct, restore or replace the damaged or destroyed portions of the Leased Property, or to redeem Outstanding Bonds if such use of such disaster aid is permitted.

Eminent Domain

If the whole of the Leased Property or so much thereof as to render the remainder unusable for the purposes for which it was used by the Town will be taken under the power of eminent domain, the term of the Facility Lease will cease as of the day that possession will be so taken. If less than the whole of the Leased Property will be taken under the power or threat of eminent domain and the remainder is usable for the purposes for which it was used by the Town at the time of such taking, then the Facility Lease will continue in full force and effect as to such remainder, and the parties waive the benefits of any law to the contrary, and in such event there will be a partial abatement of the rental due under the Facility Lease in an amount equivalent to the amount by which the annual payments of principal and interest on the Bonds then Outstanding will be reduced by the application of the award in eminent domain to the redemption of Outstanding Bonds. So long as any of the Bonds will be Outstanding, any award made in eminent domain proceedings for taking the Leased Property or any portion thereof will be paid to the Trustee and applied to the prepayment of the Base Rental Payments as provided in the Facility Lease. Any such award made after all of the Base Rental Payments and Additional Payments have been fully paid, or provision therefor made, will be paid to the to the Town.

Prepayment

The Town shall prepay on any date from insurance and eminent domain proceeds, to the extent provided in the Facility, and from proceeds of title insurance obtained in connection with the Leased Property (provided, however, that in the event of partial damage to or destruction of the Leased Property caused by perils covered by insurance, if in the judgment of the Authority the insurance proceeds are sufficient to repair, reconstruct or replace the damaged or destroyed portion of the Leased Property, such proceeds shall be held by the Trustee and

used to repair, reconstruct or replace the damaged or destroyed portion of the Leased Property, pursuant to the procedure set forth in the Facility Lease for proceeds of insurance), all or any part (in an integral multiple of \$5,000) of Base Rental Payments then unpaid so that the aggregate annual debt service on the Bonds which shall be payable after such prepayment date shall be as nearly proportional as practicable to the aggregate annual debt service on the Bonds unpaid prior to the prepayment date, at a prepayment amount equal to the principal of and interest on the Bonds to the date of redemption.

The Town may prepay, from any source of available funds, all or any portion of Base Rental Payments by depositing with the Trustee moneys or securities as provided in the Trust Agreement sufficient to make such Base Rental Payments when due; provided that the Town furnishes the Trustee with an Opinion of Counsel that such deposit will not cause interest on the Series 2009A Bonds, Series 2017 Bonds or the Series 2019 Bonds to be includable in gross income for federal income tax purposes. The Town agrees that if following such prepayment the Leased Property is damaged or destroyed or taken by eminent domain, it is not entitled to, and by such prepayment waives the right of, abatement of such prepaid Base Rental Payments and shall not be entitled to any reimbursement of such Base Rental Payments.

Before making any prepayment pursuant to the eminent domain and prepayment provisions of the Facility Lease, the Town shall, within five days following the event creating such right or obligation to prepay, give written notice to the Authority and the Trustee describing such event and specifying the date on which the prepayment will be made, which date shall be not less than 60 days from the date such notice is given.

When (1) there shall have been deposited with the Trustee at or prior to the due dates of the Base Rental Payments or date when the Town may exercise its option to purchase the Leased Property or any portion or item thereof, in trust for the benefit of the Owners of the Bonds and irrevocably appropriated and set aside to the payment of the Base Rental Payments or option price, sufficient moneys and Permitted Investments satisfying the requirements of the Trust Agreement, not redeemable prior to maturity, the principal of and interest on which when due will provide money sufficient to pay all principal of and interest on the Bonds to the due date of the Bonds or date when the Town may exercise its option to purchase the Leased Property, as the case may be; and (2) an agreement shall have been entered into with the Trustee for the payment of its fees and expenses so long as any of the Bonds shall remain unpaid; then and in that event the right, title and interest of the Authority in the Facility Lease and the obligations of the Town under the Facility Lease shall thereupon cease, terminate, become void and be completely discharged and satisfied (except for the right of the Authority and the obligation of the Town to have such moneys and such Permitted Investments applied to the payment of the Base Rental Payments or option price) and the Authority's interest in and title to the Leased Property or applicable portion or item thereof shall be transferred and conveyed to the Town. In such event, the Authority shall cause an accounting for such period or periods as may be requested by the Town to be prepared and filed with the Authority and evidence such discharge and satisfaction, and the Authority shall pay over to the Town as an overpayment of Base Rental Payments all such moneys or Permitted Investments held by it pursuant to the Facility Lease other than such moneys and such Permitted Investments as are required for the payment or prepayment of the Base Rental Payments or the option price and the fees and expenses of the Trustee, which moneys and Permitted Investments shall continue to be held by the Trustee in trust for the payment of Base Rental Payments or the option price and the fees and expenses of the Trustee, and shall be applied by the Authority to the payment of the Base Rental Payments or the option price and the fees and expenses of the Trustee.

Option to Purchase

The Town shall have the option to purchase the Authority's interest in any part of the Leased Property upon payment of an option price consisting of moneys or securities satisfying the requirements of the Trust Agreement (not callable by the issuer thereof prior to maturity) in an amount sufficient (together with the earnings and interest on such securities) to provide funds to pay the aggregate amount for the entire remaining term of the Facility Lease of the part of the total rent thereunder attributable to such part of the Leased Property. Any such payment shall be made to the Trustee and shall be treated as rental payments and shall be applied by the Trustee to pay the principal of and interest on the Bonds and to redeem Bonds if such Bonds are subject to redemption pursuant to the terms of the Trust Agreement. Upon the making of such payment to the Trustee, (a) the Base Rental Payments thereafter payable under the Facility Lease shall be reduced by the amount thereof attributable to such part of the Leased Property and theretofore paid pursuant to the option to purchase and sale of personal property

provisions of the Facility Lease, (b) the rental abatement and the option to purchase and sale of personal property provisions of the Facility Lease shall not thereafter be applicable to such part of the Leased Property, (c) the insurance required by the Facility Lease need not be maintained as to such part of the Leased Property, and (d) title to such part of the Leased Property shall vest in the Town and the term of the Facility Lease shall end.

Sale of Personal Property

The Town, in its discretion, may request the Authority to sell or exchange any personal property which may at any time constitute a part of the Leased Property, and to release said personal property from the Facility Lease, if (a) in the opinion of the Town the property so sold or exchanged is no longer required or useful in connection with the operation of the Leased Property, (b) the consideration to be received from the property is of a value substantially equal to the value of the property to be released, and (c) if the value of any such property will, in the opinion of the Authority, exceed the amount of \$50,000, the Authority will have been furnished a certificate of an independent engineer or other qualified independent professional consultant (satisfactory to the Authority) certifying the value thereof and further certifying that such property is no longer required or useful in connection with the operation of the Leased Property. In the event of any such sale, the full amount of the money or consideration received for the personal property so sold and released will be paid to the Authority. Any money so paid to the Authority may, so long as the Town is not in default under any of the provisions of the Facility Lease, be used upon the Written Request of the Town to purchase personal property, which property will become a part of the Leased Property leased under the Facility Lease.

Defaults and Remedies

If the Town fails to pay any rental payable under the Facility Lease when the same becomes due, time being expressly declared to be of the essence of the Facility Lease, or the Town fails to keep, observe or perform any other term, covenant or condition contained in the Facility Lease to be kept or performed by the Town for a period of 30 days after notice of the same has been given to the Town by the Authority or the Trustee or for such additional time as is reasonably required, in the sole discretion of the Trustee, to correct the same, but not to exceed 60 days, or upon the happening of any of the events specified in the Facility Lease (any such case above being an "Event of Default"), the Town will be deemed to be in default under the Facility Lease and it will be lawful for the Authority to exercise any and all remedies available pursuant to law or granted pursuant to the Facility Lease. Upon any such default, the Authority, in addition to all other rights and remedies it may have at law, will have the option to do any of the following:

(1) To terminate the Facility Lease in the manner hereinafter provided on account of default by the Town, notwithstanding any re-entry or re-letting of the Leased Property as hereinafter provided for in subparagraph (2) below, and to re-enter the Leased Property and remove all persons in possession thereof and all personal property whatsoever situated upon the Leased Property and place such personal property in storage in any warehouse or other suitable place located within the Town of Truckee, California. In the event of such termination, the Town agrees to surrender immediately possession of the Leased Property, without let or hindrance, and to pay the Authority all damages recoverable at law that the Authority may incur by reason of default by the Town, including, without limitation, any costs, loss or damage whatsoever arising out of, in connection with, or incident to any such re-entry upon the Leased Property and removal and storage of such property by the Authority or its duly authorized agents in accordance with the provisions contained in the Facility Lease. Neither notice to pay rent or to deliver up possession of the Leased Property given pursuant to law nor any entry or re-entry by the Authority nor any proceeding in unlawful detainer, or otherwise, brought by the Authority for the purpose of effecting such re-entry or obtaining possession of the Leased Property nor the appointment of a receiver upon initiative of the Authority to protect the Authority's interest under the Facility Lease shall of itself operate to terminate the Facility Lease, and no termination of the Facility Lease on account of default by the Town shall be or become effective by operation of law or acts of the parties to the Facility Lease, or otherwise, unless and until the Authority shall have given written notice to the Town of the election on the part of the Authority to terminate the Facility Lease.

(2) Without terminating the Facility Lease, (i) to collect each installment of rent as it becomes due and enforce any other terms or provisions of the Facility Lease to be kept or performed by the Town, regardless of whether or not the Town has abandoned the Leased Property, or (ii) to exercise any and all rights of re-entry upon the Leased Property. In the event the Authority does not elect to terminate the Facility Lease in the

manner provided for in subparagraph (1) above, the Town shall remain liable and agrees to keep or perform all covenants and conditions contained in the Facility Lease to be kept or performed by the Town and, if the Leased Property is not re-let, to pay the full amount of the rent to the end of the term of the Facility Lease or, in the event that the Leased Property is re-let, to pay any deficiency in rent that results therefrom; and further agrees to pay said rent and/or rent deficiency punctually at the same time and in the same manner as hereinabove provided for the payment of rent under the Facility Lease (without acceleration), notwithstanding the fact that the Authority may have received in previous years or may receive thereafter in subsequent years rental in excess of the rental specified in the Facility Lease, and notwithstanding any entry or re-entry by the Authority or suit in unlawful detainer, or otherwise, brought by the Authority for the purpose of effecting such entry or re-entry or obtaining possession of the Leased Property. Should the Authority elect to enter or re-enter as provided in the Facility Lease, the Town irrevocably appoints the Authority as the agent and attorney-in-fact of the Town to re-let the Leased Property, or any part thereof, from time to time, either in the Authority's name or otherwise, upon such terms and conditions and for such use and period as the Authority may deem advisable, and to remove all persons in possession thereof and all personal property whatsoever situated upon the Leased Property and to place such personal property in storage in any warehouse or other suitable place located in the Town of Truckee, California, for the account of and at the expense of the Town, and the Town exempts and agrees to save harmless the Authority from any costs, loss or damage whatsoever arising out of, in connection with, or incident to any such re-entry upon and re-letting of the Leased Property and removal and storage of such property by the Authority or its duly authorized agents in accordance with the provisions contained in the Facility Lease. The Town agrees that the terms of the Facility Lease constitute full and sufficient notice of the right of the Authority to re-let the Leased Property and to do all other acts to maintain or preserve the Leased Property as the Authority deems necessary or desirable in the event of such re-entry without effecting a surrender of the Facility Lease, and further agrees that no acts of the Authority in effecting such re-letting shall constitute a surrender or termination of the Facility Lease irrespective of the use or the term for which such re-letting is made or the terms and conditions of such re-letting, or otherwise, but that, on the contrary, in the event of such default by the Town the right to terminate the Facility Lease shall vest in the Authority to be effected in the sole and exclusive manner provided for in sub-paragraph (1) above. The Town further waives the right to any rental obtained by the Authority in excess of the rental specified in the Facility Lease and conveys and releases such excess to the Authority as compensation to the Authority for its services in re-letting the Leased Property or any part thereof.

The Town waives any and all claims for damages caused or which may be caused by the Authority in re-entering and taking possession of the Leased Property as provided in the Facility Lease and all claims for damages that may result from the destruction of the Leased Property and all claims for damages to or loss of any property belonging to the Town, or any other person, that may be in or upon the Leased Property.

(a) If (1) the Town's interest in the Facility Lease or any part thereof be assigned or transferred, either voluntarily or by operation of law or otherwise, without the written consent of the Authority, as provided for in the Facility Lease, or (2) the Town or any assignee shall file any petition or institute any proceeding under any act or acts, state or federal, dealing with or relating to the subject or subjects of bankruptcy or insolvency, or under any amendment of such act or acts, either as a bankrupt or as an insolvent, or as a debtor, or in any similar capacity, wherein or whereby the Town asks or seeks or prays to be adjudicated a bankrupt, or is to be discharged from any or all of the Town's debts or obligations, or offers to the Town's creditors to effect a composition or extension of time to pay the Town's debts or asks, seeks or prays for reorganization or to effect a plan of reorganization, or for a readjustment of the Town's debts, or for any other similar relief, or if any such petition or any such proceedings of the same or similar kind or character be filed or be instituted or taken against the Town, or if a receiver of the business or of the property or assets of the Town shall be appointed by any court, except a receiver appointed at the instance or request of the Authority, or if the Town shall make a general or any assignment for the benefit of the Town's creditors, or if (3) the Town shall abandon or vacate the Leased Property, then the Town shall be deemed to be in default under the Facility Lease.

(b) The Authority shall in no event be in default in the performance of any of its obligations under the Facility Lease or imposed by any statute or rule of law unless and until the Authority shall have failed to perform such obligations within 30 days or such additional time as is reasonably required to correct any such default after notice by the Town to the Authority properly specifying wherein the Authority has failed to perform any such obligation. In the event of default by the Authority, the Town shall be entitled to pursue any remedy provided by law.

(c) In addition to the other remedies set forth in the Facility Lease, upon the occurrence of an event of default as described in the Facility Lease, the Authority, shall be entitled to proceed to protect and enforce the rights vested in the Authority by the Facility Lease or by law. The provisions of the Facility Lease and the duties of the Town and of its trustees, officers or employees shall be enforceable by the Authority by mandamus or other appropriate suit, action or proceeding in any court of competent jurisdiction. Without limiting the generality of the foregoing, the Authority shall have the right to bring the following actions:

(1) Accounting. By action or suit in equity to require the Town and its trustees, officers and employees and its assigns to account as the trustee of an express trust.

(2) Injunction. By action or suit in equity to enjoin any acts or things which may be unlawful or in violation of the rights of the Authority.

(3) Mandamus. By mandamus or other suit, action or proceeding at law or in equity to enforce the Authority's rights against the Town (and its board, officers and employees) and to compel the Town to perform and carry out its duties and obligations under the law and its covenants and agreements with the Town as provided in the Facility Lease.

Each and all of the remedies given to the Authority under the Facility Lease or by any law enacted are cumulative and the single or partial exercise of any right, power or privilege under the Facility Lease shall not impair the right of the Authority to other or further exercise thereof or the exercise of any or all other rights, powers or privileges. The term "re-let" or "re-letting" as used in the Facility Lease shall include, but not be limited to, re-letting by means of the operation by the Authority of the Leased Property. If any statute or rule of law validly shall limit the remedies given to the Authority under the Facility Lease, the Authority nevertheless shall be entitled to whatever remedies are allowable under any statute or rule of law.

In the event the Authority shall prevail in any action brought to enforce any of the terms and provisions of the Facility Lease, the Town agrees to pay a reasonable amount as and for attorney's fees incurred by the Authority in attempting to enforce any of the remedies available to the Authority under the Facility Lease, whether or not a lawsuit has been filed and whether or not any lawsuit culminates in a judgment.

SITE LEASE

Leased Property

The Town leases to the Authority and the Authority hires from the Town, on the terms and conditions set forth in the Site Lease, the real property and improvements thereon situated in the Town of Truckee, State of California, and described in Exhibit A attached to the Site Lease and made a part thereof, together with any additional real property added thereto by any supplement or amendment to the Site Lease, or any real property substituted for all or any portion of the Leased Property in accordance with the Site Lease and the Trust Agreement; subject, however, to any conditions, reservations, and easements of record or known to the Town.

Purpose

The Authority shall use the Leased Property solely for the purpose of financing and refinancing the acquisition and construction of the Project thereon and leasing the Leased Property to the Town pursuant to the Facility Lease and for such purposes as may be incidental thereto; provided, that in the event of default by the Town under the Facility Lease the Authority may exercise the remedies provided in the Facility Lease.

Assignments and Subleases

Unless the Town shall be in default under the Facility Lease, the Authority may not assign its rights under the Site Lease or sublet the Leased Property (except pursuant to the Trust Agreement), without the written consent of the Town.

Default

In the event the Authority shall be in default in the performance of any obligation on its part to be performed under the terms of the Site Lease, which default continues for 30 days following notice and demand for correction thereof to the Authority, the Town may exercise any and all remedies granted by law, except that no merger of the Site Lease and of the Facility Lease shall be deemed to occur as a result thereof; provided, however, that the Town shall have no power to terminate the Site Lease by reason of any default on the part of the Authority if such termination would affect or impair any assignment or sublease of all or any part of the Leased Property then in effect between the Authority and any assignee or subtenant of the Authority (other than the Town under the Facility Lease). So long as any such assignee or subtenant of the Authority shall duly perform the terms and conditions of the Site Lease and of its then existing sublease (if any), such assignee or subtenant shall be deemed to be and shall become the tenant of the Town under the Site Lease and shall be entitled to all of the rights and privileges granted under any such assignment; provided, further, that so long as any Bonds are outstanding and unpaid in accordance with the terms thereof, the rentals or any part thereof payable to the Trustee shall continue to be paid to the Trustee.

TRUST AGREEMENT

The Trust Agreement provides for, among other things, the issuance, execution and delivery of the Bonds and sets forth the terms thereof, the creation of certain of the funds and accounts described in the Facility Lease, certain covenants of the Authority, defines events of default and remedies therefor, and sets forth the rights and responsibilities of the Trustee.

Certain provisions of the Trust Agreement setting forth the terms of the Series 2019 Bonds, the redemption provisions thereof and the use of the proceeds of the Series 2019 Bonds are set forth elsewhere in this Official Statement. See "THE SERIES 2019 BONDS."

Pledge of Revenues

All Revenues and any other amounts (including proceeds of the sale of the Bonds) held by the Trustee in any fund or account established under the Trust Agreement (other than amounts on deposit in the Rebate Fund created pursuant to the Trust Agreement) are irrevocably pledged to the payment of the interest and premium, if any, on and principal of the Bonds as provided in the Trust Agreement, and the Revenues will not be used for any other purpose while any of the Bonds remain Outstanding; provided, however, that out of the Revenues and other moneys there may be applied such sums for such purposes as are permitted under the Trust Agreement. This pledge will constitute a pledge of and charge and lien upon the Revenues and all other moneys on deposit in the funds and accounts established under the Trust Agreement (excluding amounts on deposit in the Rebate Fund created pursuant to the Trust Agreement) for the payment of the interest on and principal of the Bonds in accordance with the terms of the Trust Agreement and the Bonds. The Authority assigns to the Trustee all of the Authority's rights and remedies under the Facility Lease.

The assignment of the Facility Lease to the Trustee is solely in its capacity as Trustee under the Trust Agreement and the duties, powers and liabilities of the Trustee in acting under the Trust Agreement shall be subject to the provisions thereof. The Trustee shall have no responsibility for the representation, covenants or warranties of the Authority under the Facility Lease.

Creation of Funds and Accounts

In order to carry out and effectuate the pledge, assignment, charge and lien contained in the Trust Agreement, the Trustee agrees to maintain in trust for Holders so long as any Bonds will be Outstanding under the Trust Agreement the following Funds and Accounts. All Revenues and all other amounts pledged and assigned under the Trust Agreement will be accounted for through and held in trust in the Revenue Fund, and the Authority will have no beneficial right or interest in any of the Revenues except only as provided in the Trust Agreement.

Revenue Fund. All money in the Revenue Fund will be set aside by the Trustee in the following respective special funds within the Revenue Fund in the following order of priority:

Interest Account. On each June 1 and December 1, commencing on December 1, 2009, the Trustee will set aside from the Revenue Fund and deposit in the Interest Account that amount of money which is equal to the amount of interest becoming due and payable on all Outstanding Bonds on such June 1 or December 1, as the case may be. No deposit need be made if the amount contained therein is at least equal to the aggregate amount of interest payable on such date.

All money in the Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it will become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity).

Principal Account. On each December 1, commencing December 1, 2010, the Trustee will set aside from the Revenue Fund and deposit in the Principal Account an amount of money equal to the amount of all sinking fund payments required to be made on such December 1 into the respective sinking fund accounts for all Outstanding Term Bonds and the principal amount of all Outstanding Bonds maturing on such December 1.

All money in the Principal Account will be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds as it shall become due and payable, whether at maturity or redemption, except that any money in any sinking fund account will be used and withdrawn by the Trustee only to purchase or to redeem or to pay Term Bonds for which such sinking fund account was created.

Reserve Fund. All money in the Reserve Fund will be used and withdrawn by the Trustee solely for the purpose of replenishing the Interest Account or the Principal Account, in that order, in the event of any deficiency in either of such accounts, except that so long as the Authority is not in default under the Trust Agreement, any cash amounts in the Reserve Fund in excess of the amount required by the Trust Agreement to be on deposit therein will be withdrawn from the Reserve Fund and deposited in the Acquisition and Construction Fund prior to the delivery of a Certificate of Completion, and thereafter in the Revenue Fund on or before each Interest Payment Date. The Authority may satisfy the Reserve Fund Requirement at any time by the deposit with the Trustee for the credit of the Reserve Fund of a surety bond, an insurance policy or letter of credit, or any combination thereof, meeting the requirements of the Trust Agreement.

The Trust Agreement also provides for the establishment of the Costs of Issuance Fund, the Acquisition and Construction Fund and the Rebate Fund. All money in the Costs of Issuance Fund shall be used and withdrawn by the Trustee to pay the Costs of Issuance of the Bonds upon receipt of a Written Request of the Authority filed with the Trustee. All moneys in the Acquisition and Construction Fund shall be held by the Trustee in trust and applied by the Trustee to the payment of Project Costs and of expenses incident thereto (or for making reimbursements to the Authority or the Town or any other person, firm or corporation for such costs theretofore or thereafter paid by it). All money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the rebate requirement, for payment to the United States of America.

Application of Insurance Proceeds

In the event of any damage to or destruction of any part of the Leased Property covered by insurance, the Authority, except as provide in the Indenture, will cause the proceeds of such insurance to be utilized for the repair, reconstruction or replacement of the damaged or destroyed portion of the Leased Property, and the Trustee will hold said proceeds in a fund established by the Trustee for such purpose separate and apart from all other funds, to the end that such proceeds will be applied to the repair, reconstruction or replacement of the Leased Property to at least the same good order, repair and condition as it was in prior to the damage or destruction, insofar as the same may be accomplished by the use of said proceeds. The Trustee will invest said proceeds in Permitted Investments pursuant to the Written Request of the Town, as agent for the Authority under the Facility Lease, and withdrawals of said proceeds will be made from time to time upon the filing with the Trustee of a Written Request of the Town, stating that the Town has expended moneys or incurred liabilities in an amount equal to the amount therein stated for the purpose of the repair, reconstruction or replacement of the Leased Property, and specifying the items for which such moneys were expended, or such liabilities were incurred, in reasonable detail. The Town will file a Written Request with the Trustee that sufficient funds from insurance proceeds or from any funds legally available to the Town, or from any combination thereof, are available in the event it elects to repair, reconstruct or replace the Leased Property. Any balance of such proceeds not required for such repair, reconstruction or

replacement and the proceeds of use and occupancy insurance will be paid to the Trustee as Base Rental Payments and applied in the manner provided by the Trust Agreement. Alternatively, the Town, at its option, if the proceeds of such insurance together with any other moneys then available for such purpose are sufficient to prepay all, in case of damage or destruction in whole of the Leased Property, or that portion, in the case of partial damage or destruction of the Leased Property, of the Base Rental Payments and all other amounts relating to the damaged or destroyed portion of the Leased Property, may elect not to repair, reconstruct or replace the damaged or destroyed portion of the Leased Property and thereupon will cause said proceeds to be used for the redemption of Outstanding Bonds pursuant to the applicable provisions of the Trust Agreement and the corresponding provisions of any Supplemental Trust Agreement. The Town will not apply the proceeds of insurance as set forth in the Trust Agreement to redeem the Bonds in part due to damage or destruction of a portion of the Leased Property unless the Trustee receives a Certificate of the Authority that the Base Rental Payments on the undamaged portion of the Leased Property will be sufficient to pay the initially-scheduled principal and interest on the Bonds remaining unpaid after such redemption.

Investments

Subject to certain provisions of the Trust Agreement, all money held by the Trustee in any of the accounts or funds established pursuant thereto will be invested in Permitted Investments at the Written Request of the Town. Investments (except investment agreements) in Trust Agreement funds and accounts shall be valued at the market value thereof, exclusive of accrued interest. Investments purchased with funds on deposit in the Revenue Fund shall mature not later than the payment date or redemption date, as appropriate, immediately succeeding the investment. Investments purchased with funds on deposit in the Acquisition and Construction Fund shall mature not later than the dates upon which such funds shall need to be expended for such construction (or shall be invested in repurchase agreements or investment agreements described in the definition of Permitted Investments). Investments (except investment agreements or repurchase agreements) purchased with funds on deposit in the Reserve Fund shall have a term to maturity not greater than five years.

Subject to the Trust Agreement, all interest or profits received prior to the completion of the Project (i) on amounts in the Acquisition and Construction Fund shall be deposited in the Acquisition and Construction Fund, and (ii) on amounts in the Reserve Fund and Capitalized Interest Account shall be deposited in the Acquisition and Construction Fund, and all interest or profits received subsequent to the completion of the Project on any money so invested shall be deposited first in the Reserve Fund, to the extent necessary to make amounts on deposit in the Reserve Fund equal to the Reserve Fund Requirement, and then in the Revenue Fund. The Trustee shall not be liable for any losses on such investments.

Additional Bonds

The Authority may at any time issue Additional Bonds pursuant to a Supplemental Trust Agreement, payable from the Revenues as provided in the Trust Agreement and secured by a pledge of and charge and lien upon the Revenues as provided in the Trust Agreement equal to the pledge, charge and lien securing the Outstanding Bonds theretofore issued under the Trust Agreement, but only subject to the following specific conditions, which are made conditions precedent to the issuance of any such Additional Bonds:

(a) The Authority will be in compliance with all agreements and covenants contained in the Trust Agreement and no Event of Default shall have occurred and be continuing.

(b) The Supplemental Trust Agreement will require that the proceeds of the sale of such Additional Bonds will be applied to the completion of the Project or for the refunding of Outstanding Bonds, including the payment of costs and expenses of and incident to the authorization and sale of such Additional Bonds. The Supplemental Trust Agreement may also provide that a portion of such proceeds shall be applied to the payment of the interest due or to become due on said Additional Bonds during the estimated period of any construction and for a period of not to exceed twelve months thereafter.

(c) The Supplemental Trust Agreement will provide, if necessary, that from such proceeds or other sources an amount will be deposited in the Reserve Fund so that following such deposit there will be on deposit in the Reserve Fund an amount at least equal to the Reserve Fund Requirement.

(d) The aggregate principal amount of Bonds issued and at any time Outstanding under the Trust Agreement will not exceed any limit imposed by law, by the Trust Agreement or by any Supplemental Trust Agreement.

(e) The Facility Lease will have been amended, if necessary, so that the Base Rental Payments payable by the Town thereunder in each Fiscal Year will at least equal Debt Service, including Debt Service on the Additional Bonds, in each Fiscal Year.

Limitations on the Issuance of Obligations Payable from Revenues

The Authority will not, so long as any of the Bonds are Outstanding, issue any obligations or securities, however denominated, payable in whole or in part from Revenues except the following:

(a) Bonds of any Series authorized pursuant to the Trust Agreement; or

(b) Obligations which are junior and subordinate to the payment of the principal, premium, interest and reserve fund requirements for the Bonds and which subordinated obligations are payable as to principal, premium, interest and reserve fund requirements, if any, only out of Revenues after the prior payment of all amounts then required to be paid under the Trust Agreement from Revenues for principal, premium, interest and reserve fund requirements for the Bonds, as the same become due and payable and at the times and in the manner as required in the Trust Agreement.

Covenants of Authority

Against Encumbrances. The Authority covenants it will not make any pledge of or place any charge or lien upon the Revenues except as provided in the Trust Agreement, and will not issue any bonds, notes or obligations payable from the Revenues or secured by a pledge of or charge or lien upon the Revenues except as provided in the Trust Agreement.

Defaults and Remedies

Events of Default. Events which constitute an “event of default” under the Trust Agreement include:

(a) a default made by the Authority in the due and punctual payment of the interest on any Bond when and as the same becomes due and payable;

(b) a default made by the Authority in the due and punctual payment of the principal of or redemption premium, if any, on any Bond when and as the same becomes due and payable, whether at maturity as therein expressed or by proceedings for redemption;

(c) a default made by the Authority in the performance of any of the other agreements or covenants required in the Trust Agreement to be performed by the Authority, and such default continues for a period of 30 days after the Authority has been given notice in writing of such default by the Trustee;

(d) if the Authority files a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction approves a petition filed with or without the consent of the Authority seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction assumes custody or control of the Authority or of the whole or any substantial part of its property; or

(e) if an Event of Default has occurred under the Facility Lease.

Acceleration of Bonds. In each and every case during the continuance of an Event of Default the Trustee may, and upon the written request of the Holders of not less than 51% in aggregate principal amount of the Bonds then Outstanding, shall, by notice in writing to the Authority, declare the principal of all Bonds then Outstanding and the interest accrued thereon to be due and payable immediately, and upon any such declaration the same will become due and payable, anything contained in the Trust Agreement or in the Bonds to the contrary notwithstanding. The Trustee will promptly notify all Holders by first class mail of any such event of default which is continuing.

This provision, however, is subject to the condition that if at any time after the principal of the Bonds then Outstanding will have been so declared due and payable and before any judgment or decree for the payment of the money due will have been obtained or entered the Authority will deposit with the Trustee a sum sufficient to pay all matured interest on all the Bonds and all principal of the Bonds matured prior to such declaration, with interest at the rate borne by such Bonds on such overdue interest and principal, and the reasonable fees and expenses of the Trustee, and any and all other defaults known to the Trustee (other than in the payment of interest on and principal of the Bonds due and payable solely by reason of such declaration) will have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate will have been made therefor, then and in every such case the Holders of not less than 51% in aggregate principal amount of Bonds then Outstanding by written notice to the Authority and to the Trustee, may on behalf of the Holders of all the Bonds then Outstanding rescind and annul such declaration and its consequences; but no such rescission and annulment will extend to or will affect any subsequent default or will impair or exhaust any right or power consequent thereon.

Application of Funds Upon Acceleration. All moneys in the accounts and funds held pursuant to the Trust Agreement upon the date of the declaration of acceleration by the Trustee as provided in the Trust Agreement and all Revenues (other than Revenues on deposit in the Rebate Fund) thereafter received by the Authority under the Trust Agreement will be transmitted to the Trustee and will be applied by the Trustee in the following order--

First, to the payment of the reasonable fees, costs and expenses of the Trustee in providing for the declaration of such event of default, including reasonable compensation to its accountants and counsel together with interest on any amounts advanced as provided in the Trust Agreement and to the payment of the reasonable costs and expenses of the Holders, if any, in carrying out the provisions of the Trust Agreement, including reasonable compensation to their accountants and counsel; and

Second, upon presentation of the several Bonds, and the stamping thereon of the amount of the payment if only partially paid or upon the surrender thereof if fully paid, to the payment of the whole amount then owing and unpaid upon the Bonds for interest and principal, with (to the extent permitted by law) interest on the overdue interest and principal at the rate borne by such Bonds, and in case such money will be insufficient to pay in full the whole amount so owing and unpaid upon the Bonds, then to the payment of such interest, principal and (to the extent permitted by law) interest on overdue interest and principal without preference or priority among such interest, principal and interest on overdue interest and principal ratably to the aggregate of such interest, principal and interest on overdue interest and principal.

Limitation on Holders' Right to Sue. No Holder of any Bond issued under the Trust Agreement will have the right to institute any suit, action or proceeding at law or equity, for any remedy under or upon the Trust Agreement, unless (a) such Holder will have previously given to the Trustee written notice of the occurrence of an event of default as defined in the Trust Agreement; (b) the Holders of at least a majority in aggregate principal amount of all the Bonds then Outstanding will have made written request upon the Trustee to exercise the powers granted in the Facility Lease or to institute such suit, action or proceeding in its own name; (c) said Holders will have tendered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee will have refused or omitted to comply with such request for a period of 60 days after such request will have been received by, and said tender of indemnity will have been made to, the Trustee.

Amendment of Documents

Trust Agreement. The Trust Agreement and the rights and obligations of the Authority and of the Holders may be amended at any time by a Supplemental Trust Agreement which will become binding when the written consents of the Holders of a majority in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Trust Agreement, are filed with the Trustee. No such amendment will (1) extend the maturity of or reduce the interest rate on or amount of interest on or principal of or redemption premium, if any, on any Bond without the express written consent of the Holder of such Bond, or (2) permit the creation by the Authority of any pledge of or charge or lien upon the Revenues as provided in the Trust Agreement superior to or on a parity with the pledge, charge and lien created by the Trust Agreement for the benefit of the Bonds, or (3) reduce the percentage of Bonds required for the written consent to any such amendment, or (4) modify any rights or obligations of the Trustee, the Authority, or the Town without their prior written assent thereto, respectively.

The Trust Agreement and the rights and obligations of the Authority and of the Holders may also be amended at any time by a Supplemental Trust Agreement which will become binding upon adoption without the consent of any Holders, and only to the extent permitted by law and after receipt of an approving Opinion of Counsel, for any purpose that will not materially adversely affect the interests of the Holders, including (without limitation) for any one or more of the following purposes --

(a) to add to the agreements and covenants required in the Trust Agreement to be performed by the Authority other agreements and covenants thereafter to be performed by the Authority, or to surrender any right or power reserved in the Trust Agreement to or conferred in the Trust Agreement on the Authority;

(b) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained in the Trust Agreement or in regard to questions arising under the Trust Agreement which the Authority may deem desirable or necessary;

(c) to provide for the issuance of any Additional Bonds and to provide the terms of such Additional Bonds, subject to the conditions and upon compliance with the procedure set forth in the Trust Agreement (which will be deemed not to adversely affect Holders); or

(d) to add to the agreements and covenants required in the Trust Agreement, such agreements and covenants as may be necessary to qualify the Trust Agreement under the Trust Indenture Act of 1939.

Site Lease and Facility Lease. The Authority will not supplement, amend, modify or terminate any of the terms of the Site Lease or Facility Lease, or consent to any such supplement, amendment, modification or termination, without the written consent of the Trustee. The Trustee will give such written consent only if (a) such supplement, amendment, modification or termination will not materially adversely affect the interests of the Holders or result in any material impairment of the security given for the payment of the Bonds (provided that such supplement, amendment or modification will not be deemed to have such adverse effect or to cause such material impairment solely by reason of providing for the payment of Additional Bonds as required by the Trust Agreement), or (b) the Trustee first obtains the written consent of the Holders of a majority in principal amount of the Bonds then Outstanding to such supplement, amendment, modification or termination; provided, that no such supplement, amendment, modification or termination will reduce the amount of Base Rental Payments to be made to the Authority or the Trustee by the Town pursuant to the Facility Lease, or extend the time for making such payments, or permit the creation of any lien prior to or on a parity with the lien created by the Facility Lease (except as expressly provided in the Facility Lease), in each case without the written consent of all of the Holders of the Bonds then Outstanding.

Discharge of Trust Agreement

If the Authority will pay or cause to be paid or there will otherwise be paid to the Holders of all Outstanding Bonds the interest thereon and principal thereof and redemption premiums, if any, thereon at the times and in the manner stipulated therein and in the Trust Agreement, and all amounts due and owing to the Trustee have

been paid in full, then the Holders of such Bonds will cease to be entitled to the pledge of and charge and lien upon the Revenues as provided in the Trust Agreement, and all agreements, covenants and other obligations of the Authority to the Holders of such Bonds under the Trust Agreement will thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee will execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, the Trustee will pay over or deliver to the Authority all money or securities held by it pursuant to the Trust Agreement which are not required for the payment of the interest on and principal of and redemption premiums, if any, on such Bonds.

Any Outstanding Bonds will prior to the maturity date or redemption date thereof be deemed to have been paid within the meaning of and with the effect expressed in the Trust Agreement if (1) in case any of such Bonds are to be redeemed on any date prior to their maturity date, the Authority will have given to the Trustee in form satisfactory to it irrevocable instructions to provide notice in accordance with the Trust Agreement or in the corresponding section of a Supplemental Trust Agreement, (2) there will have been deposited with the Trustee either (A) money in an amount which will be sufficient or (B) Permitted Investments of the type described in clauses (1), (2), (3) or (7) of the definition of Permitted Investments and which are not subject to redemption prior to maturity (including any such Permitted Investments issued or held in book-entry form on the books of the Treasury of the United States of America), the interest on and principal of which when paid will provide money which, together with the money, if any, deposited with the Trustee at the same time, shall be sufficient, in the opinion of an Independent Certified Public Accountant, to pay when due the interest to become due on such Bonds on and prior to the maturity date or redemption date thereof, as the case may be, and the principal of and redemption premiums, if any, on such Bonds, and (3) in the event such Bonds are not by their terms subject to redemption within the next succeeding 60 days, the Authority will have given the Trustee in form satisfactory to it irrevocable instructions to mail as soon as practicable, a notice to the Holders of such Bonds that the deposit required by clause (2) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with the Trust Agreement and stating the maturity date or redemption date upon which money is to be available for the payment of the principal of and redemption premiums, if any, on such Bonds.

The Trustee

Zions Bancorporation, National Association will serve as the Trustee for the Bonds for the purpose of receiving all money which the Authority is required to deposit with the Trustee under the Trust Agreement and for the purpose of allocating, applying and using such money as provided in the Trust Agreement and for the purpose of paying the interest on and principal of and redemption premiums, if any, on the Bonds presented for payment in San Francisco, California, or such other place as designated by the Trustee with the rights and obligations provided in the Trust Agreement. The Authority agrees that it will at all times maintain a Trustee having a principal office in Los Angeles or San Francisco, California.

The Authority may at any time, unless there exists any event of default as defined in the Trust Agreement, remove the Trustee initially appointed and any successor thereto and may appoint a successor or successors thereto by an instrument in writing; provided, that any such successor will be a banking corporation or trust company, having a combined capital (exclusive of borrowed capital) and surplus of at least one hundred million dollars (\$100,000,000) and subject to supervision or examination by federal or state authority. If such banking corporation or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of the Trust Agreement the combined capital and surplus of such bank or trust company will be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. The Trustee may at any time resign by giving written notice of such resignation to the Authority and by mailing by first class mail to the Holders notice of such resignation. Upon receiving such notice of resignation, the Authority will promptly appoint a successor Trustee by an instrument in writing. Any removal or resignation of a Trustee and appointment of a successor Trustee will become effective only upon the acceptance of appointment by the successor Trustee. If, within 30 days after notice of the removal or resignation of the Trustee no successor Trustee shall have been appointed and shall have accepted such appointment, the removed or resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee, which court may thereupon, after such notice, if any, as it may deem proper and prescribe and as may be required by law, appoint a successor Trustee having the qualifications required by the Trust Agreement.

Springing Amendments to Trust Agreement

Terms of Amendments. The amendments listed below will become effective when the Series 2009 Bonds issued under the Trust Agreement are no longer Outstanding. The purchase of the Series 2019 Bonds and of Bonds issued pursuant to the Trust Agreement after the effective date of the Second Supplemental Trust Agreement shall constitute the consent of such purchasers, as Bondholders, to the amendments listed below as required by the Trust Agreement.

1. Trust Agreement is hereby amended to replace the definition of “Reserve Fund Requirement” in its entirety with a definition for “Reserve Account Requirement” as follows: with respect to any Additional Bonds the amount, if any, specified in the Supplemental Trust Agreement providing for the issuance of such Additional Bonds.

2. The Trust Agreement is amended so that a Supplemental Trust Agreement may specify a Reserve Account Requirement for such Additional Bonds and provide, if necessary, that from such proceeds or other sources an amount shall be deposited in a Reserve Account so that following such deposit there shall be on deposit in the Reserve Account an amount at least equal to the Reserve Account Requirement for such additional Series of Bonds.”

3. The Trust Agreement provisions relating to the Reserve Fund are amended and restated in their entirety as follows:

(c) Reserve Fund. Upon the issuance of any Additional Bonds, the Authority shall determine whether to establish a Reserve Account Requirement with respect to such Additional Bonds. The Authority may determine not to establish a Reserve Account Requirement with respect to the issuance of any Series of Additional Bonds. The establishment of each Reserve Account Requirement shall be based on the debt service requirements set for in the applicable Supplemental Trust Agreement.

The Trustee shall establish, maintain and hold within the Reserve Fund a separate Reserve Account designated for any Series of Additional Bonds, as applicable. Each Reserve Account shall be available to pay only the principal of and interest on the applicable Series of Additional Bonds for which it was established. All money in each Reserve Account shall be used and withdrawn by the Trustee for the purpose of replenishing the interest account or the principal account, in that order, for the applicable Series of Additional Bonds, in the event of any deficiency at any time in either of such accounts, except that so long as the Authority is not in default hereunder, any cash amounts in the applicable Reserve Account in excess of the applicable Reserve Account Requirement shall be withdrawn from such Reserve Account and deposited in the Acquisition and Construction Fund, prior to completion of the applicable Project, and thereafter to the Revenue Fund on or before each Interest Payment Date.

Upon issuance of any Additional Bonds, the Authority shall cause to be deposited with the Trustee funds in an amount sufficient to satisfy the applicable Reserve Account Requirement, if any.

The Authority may also satisfy all or a portion of the applicable Reserve Account Requirement at any time with the deposit with the Trustee for the credit of the applicable Reserve Account of a Reserve Facility as described below, or any combination thereof.

If the applicable Reserve Account Requirement is satisfied by a surety bond, insurance policy or letter of credit as provided below (a “Reserve Facility”), the Trustee shall draw on such Reserve Facility in accordance with its terms and as hereafter provided, in a timely manner, to the extent necessary to fund any deficiency in the Interest Account or the Principal Account with respect to the applicable Series of Bonds. The Authority shall repay solely from Revenues any draws under a Reserve Facility and pay all related reasonable expenses incurred by a Reserve Facility provider. Interest shall accrue and be payable on such draws and expenses from the date of payment by a

Reserve Facility provider at the rate specified in such Reserve Facility. Repayment of draws and payment of expenses and accrued interest thereon (collectively, "Policy Costs") shall commence in the first month following each draw, and each such monthly payment shall be in an amount equal to the available Revenues after payment of principal and interest then due and the pro rata deposit to the applicable Reserve Account and any other Reserve Account.

The Trustee shall draw first on all cash and investments and second on the Reserve Facilities in the applicable Reserve Account on a pro rata basis calculated by the amount of the applicable Reserve Account Requirement satisfied by such Reserve Facility or Reserve Facilities, in order to replenish the Principal Account and the Interest Account. If any Policy Costs are due and payable under the Reserve Facilities, any new funds deposited into the applicable Reserve Account shall be used and withdrawn by the Trustee on a pro rata basis to pay such obligations in the order set forth below and to fund the applicable Reserve Account Requirement. The Authority hereby pledges the Revenues to secure the payment of the Policy Costs, on a basis that is subordinate to the pledge of Revenues to the Trustee for the Bonds.

Amounts in respect of Policy Costs paid to a Reserve Facility provider shall be credited first to principal due, then to the interest due and then to expenses due. As and to the extent payments are made to a Reserve Facility provider on account of principal due, the coverage under the Reserve Facility will be increased by a like amount, subject to the terms of the Reserve Facility.

Draws on all Reserve Facilities on which there is available coverage shall be made on a pro-rata basis (calculated by reference to the amount of the applicable Reserve Account Requirement satisfied thereby). Payment of Policy Costs and reimbursement of amounts with respect to other Reserve Facilities shall be made on a pro-rata basis with the replenishment of any cash drawn from the Reserve Fund.

If the Authority shall fail to pay any Policy Costs in accordance with the above requirements, a Reserve Facility provider shall be entitled to exercise any and all legal and equitable remedies available to it, including those provided under this Trust Agreement other than (i) acceleration of the maturity of the Bonds or (ii) remedies which would adversely affect Owners of the Bonds.

This Trust Agreement shall not be discharged until all Policy Costs owing to a Reserve Facility provider shall have been paid in full. The Authority's obligation to pay such amounts shall expressly survive payment in full of the Bonds.

The Trustee shall ascertain the necessity for a claim upon a Reserve Facility and provide notice to the Reserve Facility provider in accordance with the terms of such Reserve Facility at least five (5) business days prior to each date on which interest or principal is due on the Bonds.

(i) Surety Bond or Insurance Policy. A surety bond or insurance policy issued to the Trustee, on behalf of the Bondholders, by a company licensed to issue an insurance policy guaranteeing the timely payment of the principal of and interest on the Bonds (a "municipal bond insurer") may be deposited in a Reserve Account to meet all or a portion of the applicable Reserve Account Requirement if such municipal bond insurer shall be rated by at least one Rating Agency at the time of such deposit in at least one of the two highest Rating Categories. Any such surety bond or insurance policy shall be valued at the face value of the policy even if the rating of the insurer shall have been reduced or withdrawn after deposit of such surety bond or insurance policy into the Reserve Fund.

Regardless of any change in rating of the municipal bond insurer providing such bond or policy after the deposit of such a surety bond or insurance policy, the Authority shall be under no obligation to replace such bond or insurance policy or to deposit additional cash to such Reserve Account with respect to the amount of such bond or policy.

(ii) Letter of Credit. A letter of credit may be deposited in a Reserve Account to meet the Reserve Account Requirement, provided that any such letter of credit must be issued or confirmed by a state or national bank, or a foreign bank with an agency or branch located in the continental United States, which has outstanding an issue of unsecured long term debt securities rated by at least one Rating Agency at the time of such deposit in at least one of the two highest Rating Categories.

In the event that the rating on the unsecured long-term debt securities of the bank which has issued or confirmed any letter of credit is withdrawn or reduced by any Rating Agency to a rate below the requirements set forth above, the Authority shall be under no obligation to replace such letter of credit or to deposit additional cash to such Reserve Account.

Unless the Bonds have been fully paid and retired, the Trustee shall draw the full amount of any letter of credit credited to a Reserve Account for such Bonds on the third Business Day preceding the date such letter of credit (taking into account any extension, renewal or replacement thereof) would otherwise expire, and shall deposit moneys realized pursuant to such draw in such Reserve Account.

(iii) Release of Moneys in Reserve Account. If the Authority replaces a cash-funded Reserve Account with a Reserve Facility meeting the requirements of either (i) or (ii) above, amounts on deposit in such Reserve Account shall, upon Written Request of the Authority to the Trustee, be transferred, subject to the receipt by the Authority and Trustee of an Opinion of Counsel that such transfer will not cause the interest on the Bonds to be included in gross income for purposes of federal income taxation, to the Authority and applied for the acquisition, construction, installation or equipment of public capital improvements or to the purchase or redemption of Bonds.

APPENDIX D

PROPOSED FORM OF OPINION OF BOND COUNSEL

[Closing Date]

Truckee Public Financing Authority
Truckee, California

Truckee Public Financing Authority
Lease Revenue Bonds (Corporation Yard Project),
Series 2019 (Bank Qualified)
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Truckee Public Financing Authority (the “Authority”) in connection with the issuance by the Authority of \$_____ aggregate principal amount of Truckee Public Financing Authority Lease Revenue Bonds (Corporation Yard Project), Series 2019 (Bank Qualified) (the “Bonds”), issued pursuant to a trust agreement, dated as of September 1, 2009, as supplemented by the Supplemental Trust Agreement, dated as of September 1, 2017 and the Second Supplemental Trust Agreement, dated as of August 1, 2019 (collectively, the “Trust Agreement”) between the Authority and Zions Bancorporation, National Association, as trustee (the “Trustee”). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Trust Agreement.

In such connection, we have reviewed the Trust Agreement, the Facility Lease, the Site Lease, the Tax Certificate relating to the Bonds dated the date hereof (the “Tax Certificate”), opinions of counsel to the Authority, the Town of Truckee (the “Town”) and the Trustee, certificates of the Authority, the Town, the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Authority and the Town. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Trust Agreement, the Facility Lease, the Site Lease and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes.

We call attention to the fact that the rights and obligations under the Bonds, the Trust Agreement, the Facility Lease, the Site Lease and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against joint powers agencies and cities in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the real or personal property described in or as subject to the lien of the Site Lease, the Facility Lease or the Trust Agreement or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute the valid and binding limited obligations of the Authority.
2. The Trust Agreement has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Authority. The Trust Agreement creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Revenues and any other amounts held by the Trustee in any fund or account established pursuant to the Trust Agreement, except the Rebate Fund, and any other amounts (other than Additional Payments) received by the Authority with respect to the Leased Property, subject to the provisions of the Trust Agreement permitting the application thereof for the purposes and on the terms and conditions set forth in the Trust Agreement.
3. The Facility Lease and the Site Lease have been duly executed and delivered by, and constitute the valid and binding agreements of, the Town and the Authority.
4. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. Interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

APPENDIX E

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Disclosure Agreement”) is executed and delivered by the TOWN OF TRUCKEE, California (the “Town”), and JNA CONSULTING GROUP, LLC, as dissemination agent (the “Dissemination Agent”) in connection with the issuance by the Truckee Public Financing Authority (the “Authority”) of its \$_____ Lease Revenue Bonds (Corporation Yard Project), Series 2019 (Bank Qualified) (the “Bonds”). The Bonds are being issued pursuant to a Trust Agreement, dated as of September 1, 2009, as supplemented by a Supplemental Trust Agreement, dated as of September 1, 2017 and a Second Supplemental Trust Agreement, dated as of August 1, 2019 (as supplemented, the “Trust Agreement”) between the Authority and ZIONS BANCORPORATION, NATIONAL ASSOCIATION, as successor trustee (the “Trustee”). Pursuant to the Second Amended and Restated Facility Lease, dated as of August 1, 2019 (the “Facility Lease”), the Town has covenanted to comply with its obligations hereunder and to assume all obligations for Continuing Disclosure with respect to the Bonds. The Town and the Dissemination Agent covenant and agree as follows:

Section 1. Purpose of this Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Town and the Dissemination Agent for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the Trust Agreement, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Town pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Disclosure Representative” shall mean the Director of Administrative Services or his or her designee, or such other officer or employee as the Town shall designate in writing to the Dissemination Agent from time to time.

“Dissemination Agent” shall mean JNA Consulting Group, LLC, or any successor Dissemination Agent which may be designated in writing by the Town and which has filed with the Trustee a written acceptance of such designation.

“Financial Obligation” shall mean, for purposes of the Listed Events set out in Section 5(a)(10) and 5(b)(8), a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “Financial Obligation” shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

“Holder” shall mean the person in whose name any Bond shall be registered.

“Listed Events” shall mean any of the events listed in Section 5(a) or (b) of this Disclosure Agreement.

“MSRB” shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB currently located at <http://emma.msrb.org>.

“Official Statement” shall mean the final official statement dated _____, 2019 relating to the Bonds.

“Participating Underwriter” shall mean the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds or any successor in interest thereto.

“Repository” shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the SEC to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the SEC, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“SEC” shall mean the Securities and Exchange Commission and any successor agency thereto.

“State” shall mean the State of California.

Section 3. Provision of Annual Reports.

(a) The Town shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the Town’s Fiscal Year (presently June 30), commencing with the report for the 2018-2019 Fiscal Year, provide to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. Each Annual Report must be submitted in electronic format, accompanied by such identifying information as is prescribed by the Repository, and may include by cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the Town may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Town’s Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5.

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the Repository, the Town shall provide the Annual Report to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent); provided, however, that the Town may distribute the Annual Report itself after providing written notice to the Trustee and the Dissemination Agent. If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the Town to determine if the Town is in compliance with the first sentence of this subsection (b).

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the Repository by the date required in subsection (a), the Dissemination Agent shall send a

notice, in electronic format unless otherwise designated by the SEC, to the Repository in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of the Repository; and

(ii) to the extent the Town has provided the Annual Report to the Dissemination Agent, file a report with the Town and (if the Dissemination Agent is not the Trustee) the Trustee certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided to the Repository.

Section 4. Content of Annual Reports. The Town's Annual Report shall contain or include by reference the following:

1. The audited financial statements for the prior Fiscal Year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the Town's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

2. To the extent not presented in the audited financial statements of the Town, the Annual Report shall also include tabular or numerical information of the types contained in the Official Statement relating to the Bonds under the following captions and in the following tables, as the case may be:

- a. Table 1 (Assessed Valuation History);
- b. Table 2 (Tax Levies);
- c. Table 3 (General Long-Term Debt); and
- d. Revenue and Expenditure Analysis.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Town or related public entities, which have been submitted to the Repository or the SEC. The Town shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Town shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds not later than ten business days after the occurrence of the event:

1. principal and interest payment delinquencies;
2. unscheduled draws on debt service reserves reflecting financial difficulties;
3. unscheduled draws on credit enhancements reflecting financial difficulties;
4. substitution of credit or liquidity providers, or their failure to perform;

5. adverse tax opinions or issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);
6. tender offers;
7. defeasances;
8. rating changes;
9. bankruptcy, insolvency, receivership or similar event of the obligated person; or
10. default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Town, any of which reflect financial difficulties.

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) The Town shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material, not later than ten business days after the occurrence of the event:

1. unless described in Section 5(a)(5), other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
2. modifications to rights of Holders;
3. optional, contingent or unscheduled Bond calls;
4. release, substitution, or sale of property securing repayment of the Bonds;
5. non-payment related defaults;
6. the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;
7. appointment of a successor or additional trustee or the change of name of a trustee; or
8. incurrence of a Financial Obligation of the Town, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Town, any of which affect security holders.

(c) The Dissemination Agent shall, promptly upon obtaining actual knowledge at its office as specified in Section 12 hereof of the occurrence of any of the Listed Events, contact the Disclosure Representative, inform such person of the event, and request that the Town promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to subsection (e); provided that, failure by the Dissemination Agent to so notify the Disclosure Representative and make such request shall not relieve the Town of its duty to report Listed Events as required by this Section 5.

(d) Whenever the Town obtains knowledge of the occurrence of a Listed Event, whether because of a notice from the Dissemination Agent pursuant to subsection (c) or otherwise, the Town shall as soon as possible determine if such event would be material under applicable federal securities laws.

(e) If the Town learns of the occurrence of a Listed Event described in Section 5(a) of the Continuing Disclosure Agreement, or determines that knowledge of a Listed Event described in Section 5(b) of the Continuing Disclosure Agreement would be material under applicable federal securities laws, the Town shall provide or cause to be provided a form of notice of such occurrence to the Dissemination Agent and shall instruct the Dissemination Agent to file the notice of such occurrence with the Repository in electronic format, accompanied by such identifying information as is prescribed by the Repository within ten business days of occurrence.

(f) If the Dissemination Agent has been instructed by the Town to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the Repository in electronic format, accompanied by such identifying information as is prescribed by the Repository. Notwithstanding the foregoing, notice of Listed Events described in Section 5(b)(3) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Trust Agreement.

(g) The Town intends to comply with the Listed Events described in Section 5(a)(10) and Section 5(b)(8), and the definition of “Financial Obligation” in Section 1, with reference to the Rule, any other applicable federal securities laws and the guidance provided by the Commission in its Release No. 34-83885 dated August 20, 2018 (the “2018 Release”), and any further amendments or written guidance provided by the Commission or its staff with respect to the amendments to the Rule effected by the 2018 Release.

(h) The Dissemination Agent may conclusively rely on an opinion of counsel that the Town’s instructions to the Dissemination Agent under this Section 5 comply with the requirements of the Rule.

Section 6. Termination of Reporting Obligation. Each party’s obligations under this Disclosure Agreement shall terminate (a) upon the legal defeasance, prior redemption or payment in full of all of the Bonds or (b) if, in the opinion of nationally recognized bond counsel, the Town ceases to be an “obligated person” (within the meaning of the Rule) with respect to the Bonds or the Bonds otherwise cease to be subject to the requirements of the Rule. If such termination occurs prior to the final maturity of the Bonds, the Town shall give notice of such termination in the same manner as for a Listed Event under Section 5(e).

Section 7. Dissemination Agent. The Town may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Town pursuant to this Disclosure Agreement. If at any time there is not any other

designated Dissemination Agent, the Trustee shall be the Dissemination Agent. The initial Dissemination Agent shall be JNA Consulting Group, LLC.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Town and the Dissemination Agent may amend this Disclosure Agreement, (and the Dissemination Agent shall agree to any amendment so requested by the Town provided such amendment does not impose any greater duties, nor risk of liability, on the Dissemination Agent, as the case may be), and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Trust Agreement for amendments to the Trust Agreement with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Town shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Town. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(e), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Town from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Town chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Town shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Town or the Dissemination Agent to comply with any provision of this Disclosure Agreement, any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Town or the Dissemination Agent to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Trust Agreement, and the sole remedy under this Disclosure Agreement in the

event of any failure of the Town or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of the Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Town, to the extent permitted by law, agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Town under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 12. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the Town: Truckee Public Financing Authority
 10183 Truckee Airport Road
 Truckee, CA 96161-3306
 Attention: Administrative Services Director
 Telephone: (530) 582-2913
 Fax: (530) 550-2343

To the JNA Consulting Group, LLC
Dissemination 410 Nevada Way, Suite 200
Agent: Boulder City, NV 89005
 Telephone: (702) 294-5100
 Fax: (702) 294-5145

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

Section 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Town, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 14. Identifying Information and Format for Documentation to be Provided to Repository. All documents or notices provided to the Repository pursuant to this Disclosure Agreement shall be in electronic format and shall be accompanied by such identifying information as is prescribed by the Repository.

Section 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Date: _____, 2019.

TOWN OF TRUCKEE

By _____
Town Manager

JNA CONSULTING GROUP, LLC, as Dissemination
Agent

By _____
Authorized Officer

EXHIBIT A

NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of Obligated Party: Town of Truckee

Name of Issue: Truckee Public Financing Authority
Lease Revenue Bonds (Corporation Yard Project),
Series 2019 (Bank Qualified)

Date of Issuance: _____, 2019

NOTICE IS HEREBY GIVEN that the Town of Truckee has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement, dated _____, 2019, by and between JNA Consulting Group, LLC, as dissemination agent, and the Town. [The Town anticipates that the Annual Report will be filed by _____.]

Dated: _____

TOWN OF TRUCKEE

By _____
Title _____

APPENDIX F

BOOK-ENTRY ONLY SYSTEM

The information herein concerning DTC and DTC's book-entry system has been obtained from sources that the Town, the Authority, the Trustee and the Underwriter believe to be reliable, but the Town, the Authority, the Trustee and the Underwriter take no responsibility for the accuracy thereof. Beneficial Owners should confirm the following information with DTC or the DTC Participants (as defined herein).

The Depository Trust Company ("DTC") will act as securities depository for the Series 2019 Bonds. The Series 2019 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2019 Bond certificate will be issued for the Series 2019 Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Series 2019 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2019 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2019 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2019 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2019 Bonds, except in the event that use of the book-entry system for the Series 2019 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2019 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2019 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2019 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2019 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Series 2019 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2019 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2019 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2019 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, the Authority or the Town, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Series 2019 Bonds purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such Series 2019 Bonds by causing the Direct Participant to transfer the Participant's interest in the Series 2019 Bonds, on DTC's records, to the Trustee. The requirement for physical delivery of Series 2019 Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Series 2019 Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Series 2019 Bonds to the Trustee's DTC account.

DTC may discontinue providing its services as depository with respect to the Series 2019 Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2019 Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2019 Bond certificates will be printed and delivered.

The foregoing description of the procedures and record-keeping with respect to beneficial ownership interests in the Series 2019 Bonds, payment of the principal, purchase price, interest and other payments on the Series 2019 Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interests in such Series 2019 Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

The Town and the Authority cannot and do not give any assurances that DTC will distribute to DTC Participants, or that DTC Participants or others will distribute to the Beneficial Owners, payments of principal, interest and premium, if any, with respect to the Series 2019 Bonds paid or any redemption or other notices or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. Neither the Town nor the Authority is responsible or liable for the failure of DTC or any DTC Participant or Indirect Participant to make any payments or give any notice to a Beneficial Owner with respect to the Series 2019 Bonds or any error or delay relating thereto.

So long as Cede & Co. is the registered owner of the Series 2019 Bonds, as nominee of DTC, references herein to the Owners or registered holders of the Series 2019 Bonds, shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Series 2019 Bonds.