

**Tahoe City  
Public Utility District**

Tahoe City, California

Annual Financial Report

For the Year Ended

December 31, 2013

With

Independent Auditor's Report

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**TAHOE CITY PUBLIC UTILITIES DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2013**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors

Tahoe City Public Utility District  
Tahoe City, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Tahoe City Public Utility District (the District), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the District'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, and each major fund of the Tahoe City Public Utility District, as of December 31, 2013, 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.

## **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, and schedule of funding progress as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures 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 Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 2014, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Man United CPAs".

Sacramento, California  
April 18, 2014

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The Tahoe City Public Utility District (TCPUD) was founded in 1938 to provide some of the governmental needs for the residents of Tahoe City. It is the oldest local government in the Tahoe Basin and was formed initially to provide public water service to the local community. Established under the State of California's Public Utility District Act, the founders of the TCPUD chose a form of government that could provide multiple types of services. The TCPUD provides sewer collection and transportation and water production and distribution services; parks, facilities and recreation services are provided for the entire area of the TCPUD. It operates and maintains 22 miles of bike trails, parks, beaches, and a boat launching facility, campground and the Tahoe City downtown sidewalks. In addition, the TCPUD sponsors numerous recreation programs, operates the Rideout Community Center and rents community buildings for the benefit of residents and visitors.

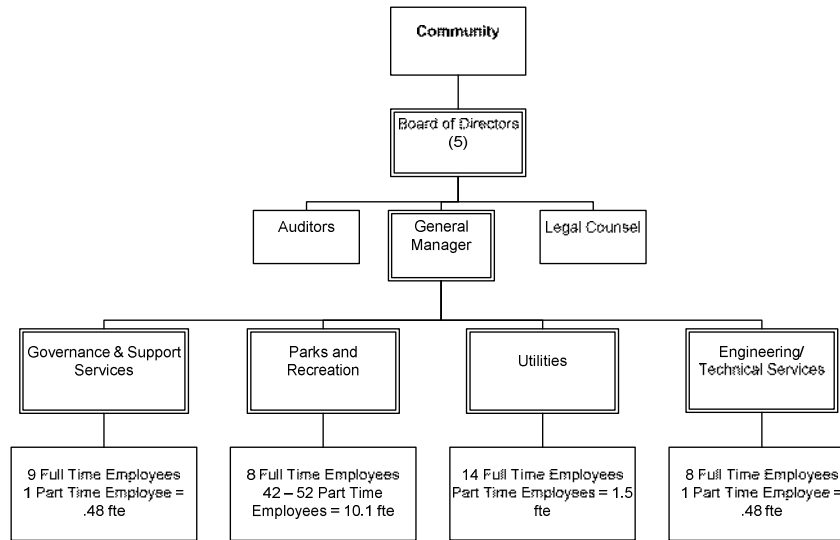
Water service is provided in five separate systems and serves approximately half of the homes and businesses in the TCPUD.

- Water customers - 4,188
- Sewer customers - 7,636
- Parks and Recreation customers - over 500,000

The boundaries of the TCPUD lie within both Placer and El Dorado Counties, extending from Emerald Bay to Dollar Hill, and along the Truckee River to the Nevada County line. The service area is very large, encompassing over 31 square miles. The TCPUD is governed by a five person elected Board of Directors. These Directors determine the policies and set the agenda for the TCPUD. The Board appoints a General Manager who oversees the day to day operations of the TCPUD. In addition, the Board forms special citizen advisory committees when complicated issues need more community outreach or focused study. Under the direction of General Manager Cindy Gustafson, 39 full time employees and 30 seasonal employees provide the listed services. Employees serve in four departments: Utilities; Parks & Recreation; Engineering; and Governance and Support Services. Tahoe City Public Utility District is on a calendar-year (January 1 - December 31) budget cycle and each year the Board of Directors adopts an operating and capital budget. The TCPUD uses property tax, user fees, grants and interest income to provide its services.

**Tahoe City Public Utility District  
Management's Discussion and Analysis  
For the year ended December 31, 2013**

The following is the TCPUD Wide Organizational Chart:



As management of the TCPUD, we offer readers of the TCPUD financial statements this narrative overview and analysis of the financial activities of the TCPUD for the fiscal year ended December 31, 2013. We encourage readers to consider the information presented here in conjunction with all information we have furnished in this report.

**Financial Highlights**

- The TCPUD's net position is \$72,355,080 at the close of the most recent fiscal year. Of this amount, \$15,385,692 represents unrestricted net position, which may be used for the TCPUD's ongoing obligations. It should be noted that \$6,716,169 has been designated for the proprietary fund use for long-term capital replacement, property tax reserve, cash flow requirements, and emergencies. Also, \$450,000 is assigned for General Fund long-term capital replacement.
- TCPUD has reserves at December 31, 2013 of: \$4,603,516 for long-term capital replacement, \$1,562,653 for the property tax reserve - water, \$750,000 for emergencies, and \$250,000 for annual cash flow fluctuation requirements.
- The TCPUD's net position increased by \$5,743,497 due to investment in capital, grant funding, results of water and sewer operations, and unrestricted property tax.
- At the end of the year the TCPUD's governmental fund balance reported \$4,787,535 and increase of \$2,467,463 in comparison with prior year. Approximately 74% of the governmental fund balance is available for spending at the discretion of the TCPUD Board.

**Tahoe City Public Utility District  
Management's Discussion and Analysis  
For the year ended December 31, 2013**

- The TCPUD's total outstanding long-term debt decreased by \$834,872. All scheduled debt payments were made on time.
- The TCPUD has a total balance of \$1,030,005 in the California Employers' Retiree Benefit Trust at December 31, 2013 available to fund other post-employment benefits.

**Operational Highlights**

- The TCPUD spent \$3.4 million on capital assets.
- Combined operating revenue exceeded budget by \$317,620 largely due to water consumption revenue due to the dry winter months, Wildlife Conservation Board (WCB) Lake Forest Boat Ramp usage, and water and sewer connection fees, and kayak concession fees.
- During 2013 the TCPUD received approximately \$1.8 million in capital grants of which \$707K were Federal grants to improve its water system infrastructure for firefighting support and water delivery.
- Operating expenses were better to budget by \$377,213 after being adjusted for special consulting fees not expended. The cost savings are in the areas of personnel cost, snow removal, repairs and maintenance of TCPUD equipment and facilities, legal fees, and travel and training.
- Working closely with California Department of Transportation, the TCPUD has entered into the design phase of the Homewood Bike Trail. This significant project is estimated to cost \$2.1 million and will take several years to complete. It is anticipated to begin construction in 2015.
- In conjunction with the Tahoe Regional Planning Agency and Tahoe Resource Conservation Board, the TCPUD continued a Quagga Mussel (invasive species) inspection program at the WCB Lake Forest Boat Ramp.
- The TCPUD completed the significant infrastructure investments in the Lake Forest Water Company water service area for which significant grant funding was secured to support the project in the amount of \$3,700,000.
- TCPUD acquired the Tahoma Meadows Mutual Water Company (TMMWC) on October 28, 2013. The TMMWC asked that TCPUD acquire all the assets and assume responsibility for serving domestic water to their customer base. The members voted by ballot and approved unanimously that TMMWC be consolidated into TCPUD and pay \$117,500 to connect into TCPUD water system.

**Tahoe City Public Utility District  
Management's Discussion and Analysis  
For the year ended December 31, 2013**

**Overview of the Financial Statements**

During 2004 the TCPUD implemented Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* and related later accounting standards. The most significant effects of these accounting pronouncements are the inclusion of a Management's Discussion and Analysis section, consolidated accrual-based Statements of Net Position and Statement of Activities and Changes in Net Positions, and reconciliations of these presentations to the traditional fund accounting statements the TCPUD continues to prepare. An explanation of each of the statements and the information they report follows.

The discussion and analysis provided here are intended to serve as an introduction to the TCPUD basic financial statements. The TCPUD's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes required supplementary information intended to furnish additional detail to support the basic financial statements themselves.

**Government-wide Financial Statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the TCPUD finances in a manner similar to a private-sector business.

The *statement of net position* presents financial information on all of the TCPUD's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the TCPUD is improving or deteriorating.

The *statement of activities* presents information showing how the TCPUD's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the TCPUD that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the TCPUD include general government, parks and recreation, and debt service fund. The business-type activities of the TCPUD include water, sewer, technical services and engineering activities.



**Tahoe City Public Utility District  
Management's Discussion and Analysis  
For the year ended December 31, 2013**

The government-wide financial statements can be found on pages 22 and 23 of this report.

**Fund Financial Statements.** 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. The TCPUD, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the TCPUD can be divided into two categories: governmental funds and proprietary funds.

**Governmental Funds.** *Governmental funds* are used to account for essentially 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 *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *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. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The TCPUD maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund.

The TCPUD adopts an annual budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 24-27 of this report.

**Proprietary Funds.** The TCPUD maintains one proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The TCPUD uses enterprises funds to account for its water, sewer, technical services, and engineering departments.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

**Tahoe City Public Utility District  
Management's Discussion and Analysis  
For the year ended December 31, 2013**

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the TCPUD progress in funding its obligation to provide pension and Other Post-Employment Benefits (OPEB) benefits to its employees. Required supplementary information can be found on page 61 of this report.

**Government-wide Overall Financial Analysis**

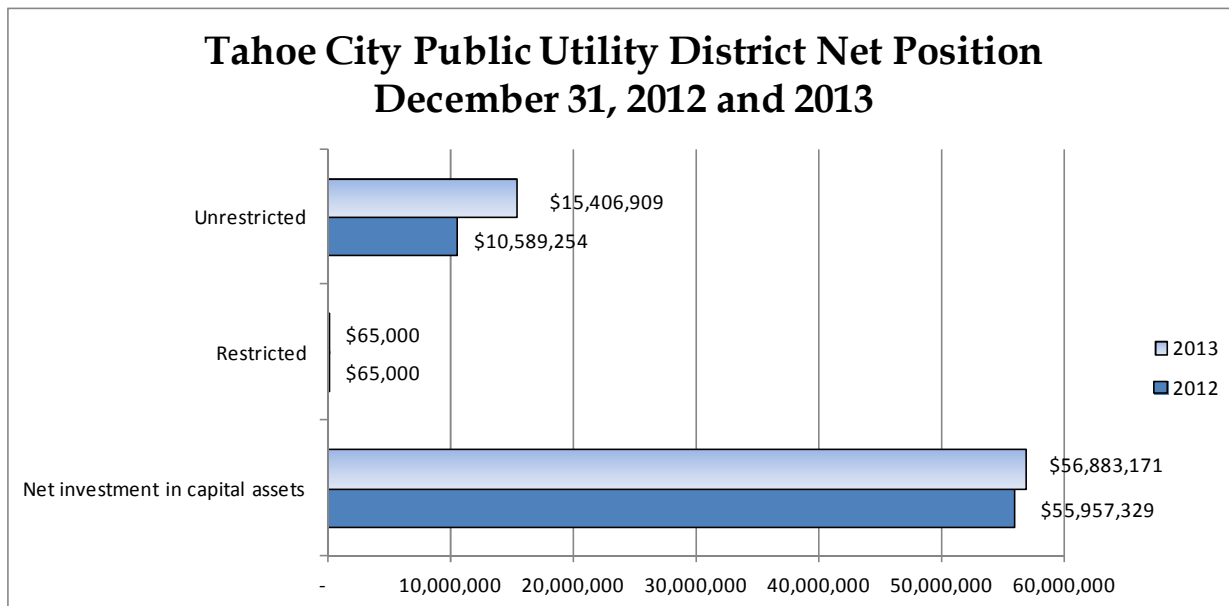
As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the TCPUD, assets and deferred outflows of resources exceeded liabilities by \$72,355,080 at the close of the most recent fiscal year. Other considerations, such as changes in the condition of the TCPUD's extensive water, sewer and park facilities infrastructure, the funding status of employee benefit plans, and growth in property tax revenues versus service commitments, must also be considered to assess the overall health of the TCPUD.

**Tahoe City Public Utility District  
Management's Discussion and Analysis  
For the year ended December 31, 2013**

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Assets:						
Cash and investments	\$ 3,811,117	\$ 1,300	\$ 8,047,067	\$ 8,143,458	\$ 11,858,184	\$ 8,144,758
Cash and investments - restricted	19,538	16,461	-	-	19,538	16,461
Receivables	1,725,854	2,839,255	2,564,237	536,681	4,290,091	3,375,936
Other current assets	67,507	65,553	300,739	137,503	368,246	203,056
Total current assets	5,624,016	2,922,569	10,912,043	8,817,642	16,536,059	11,740,211
Investments - restricted	-	-	65,000	65,000	65,000	65,000
Facility upgrade receivables	-	-	16,822	46,326	16,822	46,326
Other postemployment benefits, net	-	-	315,073	318,212	315,073	318,212
Net Pension Asset			1,731,683	1,956,439	1,731,683	1,956,439
Net capital assets	28,409,795	29,484,970	31,603,904	30,176,382	60,013,699	59,661,352
Total assets	34,033,811	32,407,539	44,644,525	41,380,001	78,678,336	73,787,540
Liabilities:						
Payables and accruals	801,994	644,748	553,110	717,315	1,355,104	1,362,063
Unearned revenue	30,696	24,817	164,952	181,701	195,648	206,518
Long-term debt - current	676,734	796,035	38,836	38,836	715,570	834,871
Total current liabilities	1,509,424	1,465,600	756,898	937,852	2,266,322	2,403,452
Long-term debt - noncurrent	3,802,085	4,478,820	254,849	293,685	4,056,934	4,772,505
Total liabilities	5,311,509	5,944,420	1,011,747	1,231,537	6,323,256	7,175,957
Net position:						
Net Investment in capital assets	25,572,951	26,113,468	31,310,220	29,843,861	56,883,171	55,957,329
Restricted	-	-	65,000	65,000	65,000	65,000
Unrestricted	3,149,351	349,651	12,257,558	10,239,603	15,406,909	10,589,254
Total net position	\$ 28,722,302	\$ 26,463,119	\$ 43,632,778	\$ 40,148,464	\$ 72,355,080	\$ 66,611,583

By far, the largest portion of the TCPUD's net position (78.6%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The TCPUD uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the TCPUD investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Tahoe City Public Utility District  
Management's Discussion and Analysis  
For the year ended December 31, 2013**



The Statement of Activities and Changes in Net Position focuses on both the gross and net cost of various functions making up the TCPUD's governmental and business-type services, which are supported by charges for services, grants and contributions, property taxes and other revenues. This statement summarizes and simplifies the user's analysis of the total costs and tax subsidy levels of the services offered by the TCPUD. All information is prepared on an accrual basis using the economic resources measurement focus. The TCPUD first calculated and recorded accumulated depreciation for its governmental activities as of January 1, 2004 and has included depreciation expense in the 2013 information.

**Governmental Activities.** Governmental activities consist of parks and recreation operations, which are paid for by property taxes, user fees, and capital and operating grants and donations. It is important to understand that capital grants are included as revenues in the year earned based on project design and construction expenditures and may far exceed depreciation expense in a particular year. Due to the restricted nature of these grants, this cash is not available for general operations. Depreciation expense on the related long-lived assets will be presented over many future years, while all of the capital grant revenue was recognized during design and construction.

During the current fiscal year, net position for governmental activities increased \$2,259,183 from the prior fiscal year for an ending balance of \$28,722,302. This increase is a result of additional capital contributions for purchased assets and property tax revenue. Charges and Services for governmental activities increased \$76,320. Governmental Activities expenses increased \$36,379. Property tax increased \$320,188 and Capital Grants decreased \$4,088,496. This reduction in capital grants bears a direct relation to reimbursable capital expenditures.

**Tahoe City Public Utility District  
Management's Discussion and Analysis  
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**Business-type Activities.** Business-type activities reflect private sector-type operations, such as water and sewer services and the related engineering department. User fees are typically charged to cover all or most of the costs of operation, including depreciation. The TCPUD usually covers cash operating costs with user fees but subsidizes capital expenditures with a portion of general property tax transfers from the governmental operation due to the low customer density of its service area and the high costs of environmental compliance in the Lake Tahoe Basin. In 2013 no operating transfers occurred.

For the TCPUD's business-type activities, the results for the current fiscal year were positive in that overall net position increased to reach an ending balance of \$43,632,778. The total increase in net position for business-type activities (water and sewer) was \$3,484,314. However, when you take into consideration the prior period restatement for inventory on hand at 12/31/2012 in the amount of \$80,072, the change in net position after the prior period restatement is \$3,404,242. Also impacting the increase is measured rate increases for water and sewer rate to sustain operations and fund current and future capital and funded capital expenditures.

Charges for services increased as the TCPUD implemented the final year of a five year plan to raise water and sewer rates to fund a higher level of future capital projects in these areas. Weather also played a part in the increase in charges for services. Capital grants and contributions decreased \$463,232 which bears a direct relation to reduced capital expenditures. Investment earnings increased \$34,060 as a result of increased reserves.

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
<b>Expenses:</b>						
Direct expenses	\$ 4,348,456	\$ 3,738,067	\$ 5,580,087	\$ 5,176,797	\$ 9,928,543	\$ 8,914,864
Indirect expenses	201,516	775,526	1,116,164	1,538,164	1,317,680	2,313,690
Total expenses	4,549,972	4,513,593	6,696,251	6,714,961	11,246,223	11,228,554
<b>Program Revenues:</b>						
Charges for services	678,198	601,878	8,399,689	7,708,584	9,077,887	8,310,462
Operating grants and contributions	305,861	367,184	-	239,547	305,861	606,731
Capital grants and contributions	257,535	4,346,031	1,572,553	2,035,785	1,830,088	6,381,816
Total program revenues	1,241,594	5,315,093	9,972,242	9,983,916	11,213,836	15,299,009
Net revenue (expense)	(3,308,378)	801,500	3,275,991	3,268,955	(32,387)	4,070,455
<b>General Revenues:</b>						
Property taxes	5,569,351	5,249,163	23,287	19,951	5,592,638	5,269,114
Investment earnings	(1,790)	(268)	104,964	70,904	103,174	70,636
Total general revenues	5,567,561	5,248,895	128,251	90,855	5,695,812	5,339,750
Change in net position	\$ 2,259,183	\$ 6,050,395	\$ 3,404,242	\$ 3,359,810	\$ 5,663,425	\$ 9,410,205

**Tahoe City Public Utility District  
Management's Discussion and Analysis  
For the year ended December 31, 2013**

**Financial Analysis of Governmental Funds**

*Governmental Funds.* The focus of the TCPUD *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the TCPUD's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as it represents the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the TCPUD itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the TCPUD Board of Directors.

At December 31, 2013, the TCPUD's governmental funds reported combined fund balances of \$4,787,246, an increase of \$2,467,174 in comparison with the prior year. Approximately 74% of this amount constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either *nonspendable*, *restricted*, *committed*, or *assigned* to indicate that it is 1) not in spendable form (\$67,507) and 2) assigned for particular purposes (\$450,000). The general fund is the chief operating fund of the TCPUD.

**General Fund Budgetary Highlights**

Parks and Recreation fees and other revenue were better to budget by \$107,476 which is largely due to the kayak concession revenue. Property tax collection exceed budget by \$410,817 of which approximately \$168K is attributable to RDA Pass-Through. Grant revenue was less than budget by \$390,211 which bears a direct relation to reimbursable capital expenditures. Overall Public Works - Parks direct expenses were \$69,907 below budget due to less spending for consulting fees, repairs and maintenance, lower utilities, and administration cost.

Recreation direct expenses were \$25,816 below budget due to personnel cost. Much of the saving was in part-time wages.

**Capital Assets and Debt Administration**

**Capital assets.** The TCPUD investment in capital assets for its governmental and business-type activities as of December 31, 2013 amounts to \$60,013,699 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery, equipment, vehicles, and park facilities. The total net increase in capital assets for the current fiscal year was approximately 0.6%.

**Tahoe City Public Utility District  
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	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 5,251,592	\$ 5,251,592	\$ -	\$ -	\$ 5,251,592	\$ 5,251,592
Intangible License	150,000	150,000	-	-	150,000	150,000
Buildings	1,793,399	1,591,872	158,461	158,461	1,951,860	1,750,333
Property and Equipment	20,499,834	22,029,991	30,180,316	27,414,838	50,680,150	49,444,829
Construction in progress	714,970	461,515	1,265,127	2,603,083	1,980,097	3,064,598
Total current assets	\$ 28,409,795	\$ 29,484,970	\$ 31,603,904	\$ 30,176,382	\$ 60,013,699	\$ 59,661,352

In 2013, the TCPUD spent \$3,417,396 million on capital items for the benefit of the community. Some of the significant projects completed were Woodview to 4 Seasons Tank Line, the Tahoma Meadows Line Replacement, and completion of the Lake Forest Water Improvement Project, which received significant outside funding.

**Tahoe City Public Utility District  
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The following table presents the TCPUD's more significant capital additions during 2013 and 2012.

	Additions to Capital Assets	
	2012	2013
Governmental Activities		
Administration Phone System	\$ -	\$ 30,079
Erosion control projects	19,273	10,124
Homewood Bike Trail	59,036	111,394
HVAC and improvements	241,424	102,644
Lake Forest Boat Ramp Rehab	-	95,022
Lakeside Trail through Tahoe City	794,276	17,885
Playground equipment	16,541	23,534
Rideout gym floor and kitchen	132,663	54,369
Tahoe City Golf Course Purchase	4,776,089	-
Tahoe City Golf Improvements	-	46,974
Truckee River Access	-	10,122
Truckee River Bike Trail Overlay	-	31,339
Vehicles and Equipment	29,711	12,147
Other projects	23,319	-
Total governmental activities	6,092,332	545,633
Business-type Activities		
Chanberlands Water Line Replacement	346,104	-
Dollar II Sewer Line Replacement	-	109,646
Lake Forest water acquisition & improvements	1,590,840	854,037
Lower Tahoe Tavern Heights improvements	8,155	-
Manhole Rehabilitation	30,825	-
McKinney Estates interconnection	19,164	189,775
Old Dollar Pt Pump Station/PRV Mod	325,300	22,462
Placer Co TC Residential Water Quality Improvement	113,301	-
Pump Stations Flow Meters	82,349	-
Pump Upgrades	-	157,684
Rocky Ridge Tank Recoating	226,627	9,843
Sunnyside Pump and Control upgrade	201,655	59,617
Tahoma Meadows Mutual Water Company	131,947	545,529
Woodview to 4 Seasons Tank Line & Water Main	-	551,241
Vehicles & mobile equipment	244,201	152,912
Other projects	109,638	219,016
Total business-type activities	3,430,106	2,871,762
Total TCPUD	\$9,522,438	\$3,417,395



**Tahoe City Public Utility District  
Management's Discussion and Analysis  
For the year ended December 31, 2013**

During the four years prior to 2005 TCPUD-funded capital was limited due to the large debt service payments required by the 1993 COP issue. It was understood at the time of the \$9,985,000 COP issuance that capital spending would be pulled forward into the years immediately following the issuance and be greatly reduced in the later years prior to final repayment. This has been true of TCPUD water and sewer capital spending. However, the TCPUD has been able to secure significant capital grants to improve environmental protection and public access to Lake Tahoe. Thus, the TCPUD was able to proceed with projects such as Commons Beach, various phases of an off-highway bike and pedestrian trail link through Tahoe City known as the Lakeside Trail, the Upper Sequoia bike trail crossing, the Wildlife Conservation Board (WCB) Lake Forest Boat Ramp, the Truckee River Outlet Park Plaza, Heritage Plaza, and a new mobile stage when it did not have its own funding to advance these projects. Other projects such as the Homewood Bike Trail, to address one mile of unsafe bike trail, is set to begin the design phase and the TCPUD is positioned to seek other grant opportunities to help fund this project.

Beginning in 2005 the TCPUD was able to fund an increased level of water and sewer capital projects including a new Highlands water tank, a new Harbor Master sewer pump station, the installation of residential water meters, Lake Forest Water System Replacement, Tahoma Meadows area, a number of water line replacements. During this period it became apparent to the TCPUD that a more significant level of water and sewer capital projects would be necessary going forward to meet ever more stringent regulatory requirements and maintain service levels. This led the Board of Directors to raise water and sewer rates to fund larger capital budgets in future years.

At December 31, 2013 the TCPUD utilized \$41,154,117 of gross depreciable capital assets at historical cost, consisting primarily of recreational facilities, in its Governmental Activities, and \$71,138,561 of gross depreciable capital assets at historical cost, consisting primarily of water and sewer plants, in its Business-type Activities. On such a large infrastructure base, the TCPUD's long-term capital replacement designations of \$450,000 in the General Fund and \$4,153,516 in the Proprietary Fund can only be considered a small down payment on eventual replacements and rehabilitations. The TCPUD anticipates that capital grants, especially for recreational facilities, may be available in the future for a portion of these replacement and rehabilitation needs. However, the TCPUD anticipates that it will need to finance a portion of its replacement and rehabilitation costs in the intermediate-term, and secure additional revenue streams through voter-approved debt or significantly higher water and sewer rates to fund major replacement and rehabilitation costs in the long-term. To address this situation, the Board of Directors commissioned a comprehensive water and sewer rate study and adjusted rates as described below.

**Tahoe City Public Utility District  
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After working with HDR Engineering, Inc. on a water and sewer rate study for 1½ years and holding numerous public meetings, the TCPUD Board of Directors voted at their November 24, 2008 meeting to change water and sewer rates effective April 1, 2009, and set a Public Protest Hearing for February 25, 2009. The rates increased over a 5 year period to fund capital projects, reduce the use of general property taxes in sewer operations, increase reserves, and fund normal increases in water and sewer operations and maintenance expenses. Most residential sewer customers would see their quarterly rates increase from \$52.96 to a maximum of \$143.79 during the 5 year period. Most residential water customers would see their monthly base rate increase from \$43.76 to a maximum of \$55.00 during the 5 year period, and would begin paying for water consumption April 1, 2009 with a conservation-oriented tiered rate structure which becomes increasingly expensive over 5 years, particularly for large users. After the February 25, 2009 Public Protest Hearing, the protests were tabulated. Since protests were received from 21% of sewer customers and 29% of water customers versus the Proposition 218 threshold of 50% +1, new maximum rates were set for the next 5 years.

The Board of Directors committed to annually review actual capital and operating costs, and grant funding and revenues versus the assumptions in the rate study before finalizing rates each year. The April 1, 2009 water rates were actually set approximately 3% below the noticed rates and sewer rates were set 2% below the noticed rates based on cost savings and additional other revenues. The April 1, 2010 water and sewer rates equaled the noticed rates while the April 1, 2011 rates were set below the noticed rates. The \$55 rate was scheduled to begin April 2011 but, due to capital grants received and reduced operating cost assumptions, the TCPUD was able to keep it at \$52/month. The April 1, 2013 and 2014 residential water base rate has been set at \$55/month; the same as the noticed rate and is the maximum amount set by Proposition 218. Commercial water rates were softened in a similar manner, while all consumption-based rates have been implemented as noticed at the time of the protest hearing. The April 1, 2014 residential sewer rates have been set at \$109.02/quarter versus an initially noticed rate of \$143.79/quarter with a similar reduction in commercial rates.

The 2014-2017 TCPUD capital budget includes a \$47.1 million in its five year capital plan of which \$3.6 million in capital grants are indentified. The capital plan calls for \$25.5 million for water, \$12.6 million for sewer, \$7.0 million for Parks, \$1.8 million for vehicles, \$141.5K for Governance and Support Services. The TCPUD cannot fund this level of capital improvements without the new water and sewer rate structure and grant funding.

**Tahoe City Public Utility District  
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**Long-term Debt.** At the end of the current fiscal year, the TCPUD had total bonded debt outstanding of \$4,772,504. Of this amount, \$2,761,765 is debt backed by the full faith and credit of the government and \$368,764 is special assessment debt for which the government is liable in the event of default by the property owners subject to the assessment. The remainder of the TCPUD long-term obligations comprises pension-related debt in the amount of \$1,641,975.

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
General obligation bonds	\$2,761,765	\$3,283,910	\$ -	\$ -	\$2,761,765	\$3,283,910
Special assessment bonds with governmental commitments	75,079	87,592	\$293,685	\$332,521	368,764	420,113
Pension related debt	1,641,975	1,903,353	-	-	1,641,975	1,903,353
Total long-term debt	\$4,478,819	\$5,274,855	\$293,685	\$332,521	\$4,772,504	\$5,607,376

Due to a strong cash position during 2013, the TCPUD has not renewed the Plumas Bank line of credit.

The TCPUD has been approached by the customers or owners of several private water companies seeking to be acquired. In all cases significant capital upgrades would be required to bring these water systems into compliance with TCPUD standards. It is often difficult for these systems to obtain financing for upgrades due to their small size. It is probable the TCPUD will use its borrowing capacity over the next decade to finance upgrades to water systems it acquires and be repaid by special assessments from these new water customers.

On June 4, 2010, the TCPUD filed an action in the Superior Court of the State of California, County of Placer. The action sought to acquire a water system (the Lake Forest System) owned by the defendant, Tahoe Park Water Company, through eminent domain. On January 14, 2011, the TCPUD was granted possession of the Lake Forest System and on October, 29 2012, through a final order of condemnation, acquired ownership. The California Public Utilities Commission approved of the transfer of the water facilities mid-2013. The Lake Forest System received substantial grant funds for design, planning, and construction.

The TCPUD's share of unfunded pension liabilities increased sharply following the stock market collapse of 2008. While separate information is not available from CalPERS regarding the TCPUD's share of unfunded liabilities of the pension risk pool

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it participates in, the funded ratio of the entire pool declined from 85% at June 30, 2008 to 76.8% at June 30, 2011. The TCPUD has already negotiated for employees to contribute a larger share of required pension contributions and addressed the CalPERS investment committee regarding their portfolio allocation. The TCPUD has paid off its almost \$2.3 million side fund liability through a pension refunding bond. The proceeds were rolled into a multi-agency risk pool and are in addition to the unfunded liabilities of the risk pool.

On March 14, 2011 action by the CalPERS Board of Administration lowered the long-term investment return from 7.75% to 7.5% which directly impacted pension contribution. On September 12, 2012, Governor Brown signed the California Public Employees' Pension Reform Act of 2013 (PEPRA) into law. PEPRA took effect January 1, 2013. Basically, PEPRA affects **new** TCPUD employees hired on or after January 1, 2013 through provisions affecting benefit formulas, the definition of what comprises pensionable earnings, limits on pensionable earnings, and other matters. The new law also calls for new members to pay 50 percent of the normal cost of benefits by 2018. During 2013 TCPUD hired one new employee and expects to hire two new employees in 2014.

On April 17, 2013, the CalPERS Board of Administration approved to change the CalPERS amortization and smoothing policies that will employ an amortization and smoothing policy that will pay for all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a 5-year period. These impacts will be felt in the second half of 2015. In the near term CalPERS will review economic and demographic assumptions, including mortality rate improvements that are likely to increase TCPUD contribution rates in future years.

**Economic Factors and the 2014 Budget**

On March 14, 2011 action by the CalPERS Board of Administration lowered the long-term investment return from 7.75% to 7.5% which directly impacted pension contribution. On September 12, 2012, Governor Brown signed the California Public Employees' Pension Reform Act of 2013 (PEPRA) into law. PEPRA took effect January 1, 2013. Basically, PEPRA affects new TCPUD employees hired on or after January 1, 2013 through provisions affecting benefit formulas, the definition of what comprises pensionable earnings, limits on pensionable earnings, and other matters. The new law also calls for new members to pay 50 percent of the normal cost of benefits by 2018. During 2013 TCPUD hired one new employee and expect to hire two new employees in 2014.

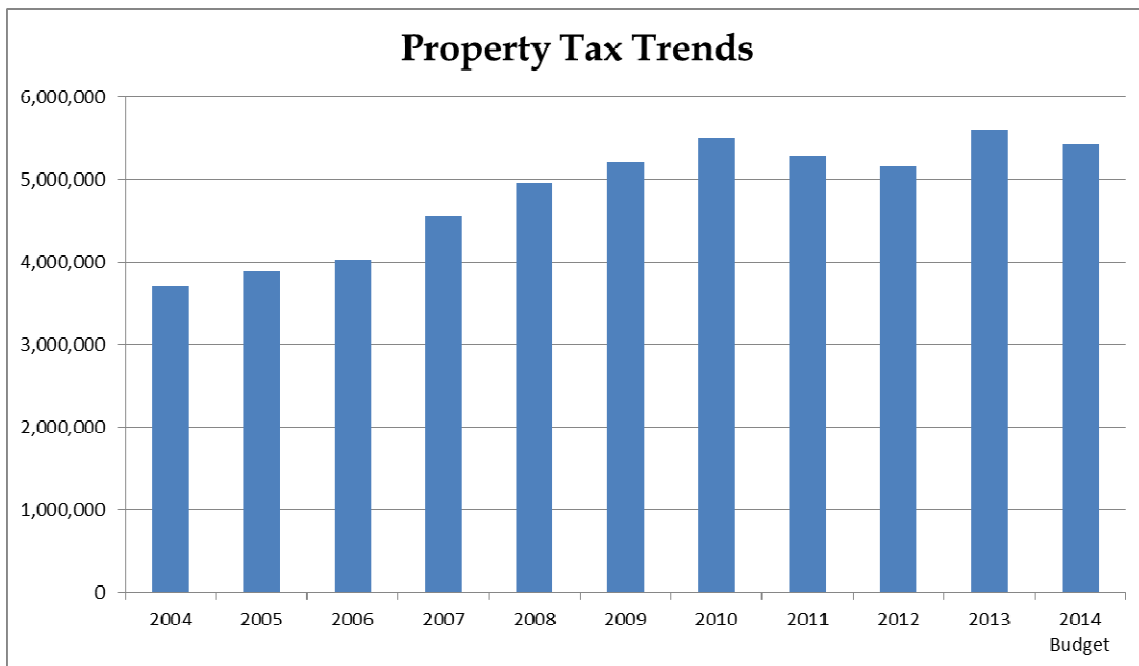
On April 17, 2013, the CalPERS Board of Administration approved to change the CalPERS amortization and smoothing policies that will employ an amortization and

**Tahoe City Public Utility District  
Management's Discussion and Analysis  
For the year ended December 31, 2013**

smoothing policy that will pay for all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a 5-year period. These impacts will be felt in the second half of 2015. In the near term CalPERS will review economic and demographic assumptions, including mortality rate improvements that are likely to increase TCPUD contribution rates in future years.

In 2014, TCPUD will enter into union negotiations the results of which will be implemented with the 2015 budget process. As part of the negotiations the TCPUD agreed to perform a compensation study. The 2014 budget plans also calls for an updated water & sewer rate study.

Property taxes are a significant source of revenue for the TCPUD. In prior years this revenue source has grown relatively rapidly due to average annual growth in assessed values of approximately 6.4%. Due to decline in assessed valuation we saw property tax revenue drop beginning in 2009. Under California property tax law, assessed value growth is capped at 2%, but when real estate is sold, it is assessed for the new owner based on the purchase price. The 2014 budget projects an increase of 3%. This increase has us cautiously optimistic that property values are leveling out and conversations with Placer County indicate the same. Below are the last 10 years of actual property tax and the 2014 budget. The slight rise in the 2013 actuals is a result of unbudgeted pass-through related to the dissolution of the Resource Development Agencies.



**Tahoe City Public Utility District  
Management's Discussion and Analysis  
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The TCPUD's 2014 budget was adopted by the Board of Directors on November 15, 2013 and amended on January 17, 2014 for a correction/rebalancing to the internal allocations. The 2013 TCPUD budgeted revenues are remaining flat for water and 5% for sewer compared to the 2013 budget. The TCPUD regularly evaluates its user rates to ensure we are assessing appropriate fees for the services we provide. The Board approved water and sewer rates are set to cover operations and current and future water and sewer capital projects. During the 2013 Board meetings and November 5, 2013 budget workshop the Board was provided scenarios on water and sewer rates and their impacts to the 2014 budget. Through this thoughtful process the Board approved overall increases to the water tiered rates and sewer rates while keeping the rates below the voter approved water and sewer Proposition 218 rates.

The residential water base rates are at the voter approved Proposition 218 rates, and the residential-tiered water rates on average are 30.3% below the voter approved Proposition 218 residential-tiered water rates. The commercial base rates on average are 5% below the Proposition 218 commercial water base rates and the commercial water tiered rates are on average 29.6% below the Proposition 218 rates.

The residential and commercial sewer rates are both 32% below the voter approved Proposition 218 rates.

Parks and Recreation revenue represents 9.9% of the TCPUD-wide operating revenue and is projected to increase by 8.9% from the 2013 budget largely due to increased kayak concession fees and maintenance grant revenue. Also, when appropriate, modest increases for some recreation programs are applied to help recover the full cost of these services.

The adopted TCPUD 2014 budget operating expense totals are \$8.7 million, which represents a 5.2% increase over the prior 2013 operating expense budget largely due to hiring two new additional positions in the Engineering Department.

The 2014 \$5.5 million TCPUD funded capital budget represents a 39.5% decrease over last year's FY 2014 funded capital budget of \$9.5 million and the 5-year capital improvement TCPUD funded program totals is \$38.6 million, a 4.4% increase over last year's 5-year capital program. The year on year percentage decrease of 39.5% is due to additional grant funds not identify last year.

**Summary**

The TCPUD's overall financial health and flexibility have continued to improve during 2013. The TCPUD invested approximately \$3.4 million in water, sewer, and parks infrastructure capital projects, with an emphasis on completing the Lake Forest Water System, Tahoma Meadows Mutual Water Company acquisition and System

**Tahoe City Public Utility District  
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Improvements, Woodview to 4 Seasons Tank Line & Water Main, and Homewood Bike Trail. Based on a 2009 comprehensive rate study by HDR Engineering, Inc., the TCPUD passed a 5-year rate increase, which allowed it to fund necessary water and sewer infrastructure projects, increase reserves, reduce the funding of sewer operating and maintenance costs from general property taxes, and cover normal increases in operations and maintenance expenses. The TCPUD implemented the fifth year of these increases starting April 1, 2013. In 2014 an updated water and sewer rate study will be completed along with a Classification and Compensation Study.

**Requests for Information**

The TCPUD's financial statements are designed to present users (citizens, taxpayers, customers, vendors and creditors) with a general overview of the TCPUD's finances and to demonstrate financial accountability. If you have questions about this report or need additional financial information, please contact the TCPUD's Treasurer at 221 Fairway Drive, P.O. Box 5249, Tahoe City, California 96145 or call 530-583-3796.

**Tahoe City Public Utility District**  
**Statement of Net Position**  
**December 31, 2013**

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 3,811,117	\$ 8,047,067	\$ 11,858,184
Restricted cash and investments	19,538	-	19,538
Receivables:			
Accounts	-	277,675	277,675
Interest	-	326	326
Taxes	1,292,378	-	1,292,378
Grants	386,733	1,999,739	2,386,472
Other	46,743	-	46,743
Short-term internal balances	-	286,497	286,497
Inventories	38,696	168,013	206,709
Prepaid items and other assets	28,811	132,726	161,537
<b>Total current assets</b>	<b>5,624,016</b>	<b>10,912,043</b>	<b>16,536,059</b>
Noncurrent assets:			
Restricted cash and investments	-	65,000	65,000
Facility improvement receivables	-	16,822	16,822
Other postemployment benefits, net	-	315,073	315,073
Net Pension Asset	-	1,731,683	1,731,683
Capital assets:			
Non-depreciable	6,116,562	1,265,127	7,381,689
Depreciable, net	22,293,233	30,338,777	52,632,010
<b>Total capital assets, net</b>	<b>28,409,795</b>	<b>31,603,904</b>	<b>60,013,699</b>
<b>Total noncurrent assets</b>	<b>28,409,795</b>	<b>33,732,482</b>	<b>62,142,277</b>
<b>Total assets</b>	<b>34,033,811</b>	<b>44,644,525</b>	<b>78,678,336</b>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	195,913	214,857	410,770
Accrued payroll and benefits payable	34,599	96,408	131,007
Employee medical reimbursement payable	35,932	-	35,932
Interest payable	27,665	-	27,665
Deposits payable	20,534	67,020	87,554
Other liabilities	58,045	34,927	92,972
Unearned revenue	10,162	97,932	108,094
Compensated absences-due within one year	163,343	206,918	370,261
Short-term internal balances	286,497	-	286,497
Long-term debt-due within one year	676,734	38,836	715,570
<b>Total current liabilities</b>	<b>1,509,424</b>	<b>756,898</b>	<b>2,266,322</b>
Noncurrent liabilities:			
Long-term debt-due in more than one year	3,802,085	254,849	4,056,934
<b>Total liabilities</b>	<b>5,311,509</b>	<b>1,011,747</b>	<b>6,323,256</b>
<b>NET POSITION</b>			
Net Investment in capital assets	25,572,951	31,310,220	56,883,171
Restricted for:			
Guarantee permit and payment performance	-	65,000	65,000
<b>Total restricted</b>	<b>-</b>	<b>65,000</b>	<b>65,000</b>
Unrestricted	3,149,351	12,257,558	15,406,909
<b>Total net position</b>	<b>\$ 28,722,302</b>	<b>\$ 43,632,778</b>	<b>\$ 72,355,080</b>

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



**Tahoe City Public Utility District**  
**Statement of Activities and Changes in Net Position**  
**For the year ended December 31, 2013**

Functions / Programs	Program Revenues						Net (Expense) Revenue and Changes in Net Position		
	Direct Expenses	Indirect Expenses	Charges for Services	Operating	Capital	Total	Governmental Activities	Business-Type Activities	Total
				Grants and Contributions	Grants and Contributions				
<b>Primary Government:</b>									
<b>Governmental activities:</b>									
Public works - Parks	\$ 3,538,594	\$ 201,516	\$ 357,766	\$ 287,132	\$ 248,022	\$ 892,920	\$ (2,847,190)	\$ -	\$ (2,847,190)
Recreation	658,660	-	320,432	18,729	9,513	348,674	(309,986)	-	(309,986)
Interest on long-term debt (unallocated)	151,202	-	-	-	-	-	(151,202)	-	(151,202)
Total governmental activities	4,348,456	201,516	678,198	305,861	257,535	1,241,594	(3,308,378)	-	(3,308,378)
<b>Business-type activities:</b>									
Water	3,060,475	590,345	4,479,654	-	1,572,553	6,052,207	-	2,401,387	2,401,387
Sewer	2,519,612	525,819	3,920,035	-	-	3,920,035	-	874,604	874,604
Total business-type activities	5,580,087	1,116,164	8,399,689	-	1,572,553	9,972,242	-	3,275,991	3,275,991
<b>Total primary government</b>	<b>\$ 9,928,543</b>	<b>\$ 1,317,680</b>	<b>\$ 9,077,887</b>	<b>\$ 305,861</b>	<b>\$ 1,830,088</b>	<b>\$ 11,213,836</b>	<b>(3,308,378)</b>	<b>3,275,991</b>	<b>(32,387)</b>
<b>General Revenues:</b>									
Property taxes							5,569,351	23,287	5,592,638
Investment earnings							(1,790)	104,964	103,174
<b>Total general revenues and transfers</b>							<b>5,567,561</b>	<b>128,251</b>	<b>5,695,812</b>
<b>Change in net position</b>							<b>2,259,183</b>	<b>3,404,242</b>	<b>5,663,425</b>
<b>Net position - Beginning, as previously reported</b>							<b>26,463,119</b>	<b>40,148,464</b>	<b>66,611,583</b>
<b>Prior period restatement (Note 16)</b>							<b>-</b>	<b>80,072</b>	<b>80,072</b>
<b>Net position - Ending</b>							<b>\$ 28,722,302</b>	<b>\$ 43,632,778</b>	<b>\$ 72,355,080</b>

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

**Tahoe City Public Utility District**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2013**

	General	Debt Service	Total Governmental Funds
<b>ASSETS</b>			
Cash	\$ 3,811,117	\$ -	\$ 3,811,117
Restricted cash	19,538	-	19,538
Receivables:			
Taxes	1,292,378	-	1,292,378
Grants	386,733	-	386,733
Other	40,604	6,139	46,743
Short-term internal balances		1,505	1,505
Inventory	38,696		38,696
Prepaid items and other assets	28,811	-	28,811
<b>Total assets</b>	<b>\$ 5,617,877</b>	<b>\$ 7,644</b>	<b>\$ 5,625,521</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 195,913	\$ -	\$ 195,913
Accrued payroll and benefits payable	34,599	-	34,599
Employee medical reimbursement payable	35,932	-	35,932
Deposits payable	20,534	-	20,534
Other liabilities	58,045	-	58,045
Short-term internal balances	482,801		482,801
Unearned revenue	2,807	7,355	10,162
<b>Total liabilities</b>	<b>830,631</b>	<b>7,355</b>	<b>837,986</b>
<b>Fund Balances:</b>			
Non-Spendable	28,811	-	28,811
Assigned			
Long-term capital replacement	450,000	-	450,000
Unassigned fund balance			
General Fund	4,308,435	289	4,308,724
<b>Total fund balances</b>	<b>4,787,246</b>	<b>289</b>	<b>4,787,535</b>
<b>Total liabilities and fund balances</b>	<b>\$ 5,617,877</b>	<b>\$ 7,644</b>	<b>\$ 5,625,521</b>

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

**Tahoe City Public Utility District**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Position of Governmental Activities**  
**For the year ended December 31, 2013**

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**Total Fund Balances - Governmental Funds** \$ 4,787,535

Amounts reported for governmental activities in the Statement of Net Position were different because:

Capital assets used in governmental activities were not current financial resources. Therefore, they were not reported in the Governmental Funds Balance Sheet. Capital assets were adjusted as follows:

Non-depreciable	6,116,562
Depreciable, net	22,293,233
Total capital assets, net	<u>28,409,795</u>

Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported as a liability in the Governmental Funds Balance Sheet.	<u>(27,665)</u>
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Water charges from the Proprietary Fund to the Governmental Funds must be eliminated in the Government-Wide Statements resulting in a change to short-term internal balances	<u>194,799</u>
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Long-term liabilities were not due and payable in the current period. Therefore, they were not reported in the Governmental Funds Balance Sheet.	
Compensated absences - due within one year	(163,343)
Long-term debt - due within one year	(676,734)
Long-term debt - due in more than one year	<u>(3,802,085)</u>
Total long-term liabilities	<u>(4,642,162)</u>

**Total Net Position of Governmental Activities** \$ 28,722,302

**Tahoe City Public Utility District**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the year ended December 31, 2013**

	General	Debt Service	Total Governmental Funds
<b>REVENUES:</b>			
Fees	\$ 505,974	\$ 14,266	\$ 520,240
Property taxes	4,631,006	938,345	5,569,351
Interest	(2,487)	-	(2,487)
Grants	551,250	-	551,250
Other	170,212	289	170,501
<b>Total revenues</b>	<b>5,855,955</b>	<b>952,900</b>	<b>6,808,855</b>
<b>EXPENDITURES:</b>			
Current:			
Public works - Parks	2,017,398	-	2,017,398
Recreation	624,534	-	624,534
Other operating	201,516	-	201,516
Capital outlay	545,633	-	545,633
Debt service:			
Principal	-	796,035	796,035
Interest	-	156,576	156,576
<b>Total expenditures</b>	<b>3,389,081</b>	<b>952,611</b>	<b>4,341,692</b>
<b>REVENUES OVER EXPENDITURES</b>	<b>2,466,874</b>	<b>289</b>	<b>2,467,163</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Proceeds from the sale of assets	300	-	300
<b>Total other financing sources (uses)</b>	<b>300</b>	<b>-</b>	<b>300</b>
<b>Net change in fund balances</b>	<b>2,467,174</b>	<b>289</b>	<b>2,467,463</b>
<b>FUND BALANCES:</b>			
Beginning of year	2,320,072	-	2,320,072
End of year	<u>\$ 4,787,246</u>	<u>\$ 289</u>	<u>\$ 4,787,535</u>

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

# Tahoe City Public Utility District

## Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of the Governmental Funds of the Governmental Funds to the Statement of Activities For the year ended December 31, 2013

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**Net Change in Fund Balances - Governmental Funds** \$ 2,467,463

Amounts reported for governmental activities in the Statement of Activities and Changes in Net Position were different because:

Governmental funds reported capital outlay as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Position, the cost of those assets was allocated over their estimated useful lives as depreciation expense. This was the amount of capital assets recorded in the current period. 545,633

Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities and Changes in Net Position, but they did not require the use of current financial resources. Therefore, depreciation expense was not reported as expenditures in the Governmental Funds. (1,620,809)

Water charges from the Proprietary Fund to the Governmental Funds must be eliminated in the Government-Wide Statements resulting in a change to short-term internal balances. 48,452

Repayment of bond principal was an expenditure in governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Position. 796,035

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 governmental funds. 17,033

Change in compensated absences

Change in accrued interest

5,376

**Change in Net Position of Governmental Activities** \$ 2,259,183

**Tahoe City Public Utility District**  
**Statement of Net Position**  
**Proprietary Fund**  
**December 31, 2013**

ASSETS	Water and Sewer Fund
Current assets:	
Cash and investments	\$ 8,047,067
Receivables:	
Accounts	277,675
Grants	1,999,739
Interest	326
Other	-
Short-term internal balances	481,296
Inventories	168,013
Prepaid items and other assets	132,726
Total current assets	11,106,842
Noncurrent assets:	
Restricted cash and investments	65,000
Facility improvement receivables	16,822
Other postemployment benefits, net	315,073
Net pension asset	1,731,683
Capital assets:	
Non-depreciable assets	1,265,127
Depreciable assets, net	30,338,777
Total capital assets, net	31,603,904
Total noncurrent assets	33,732,482
<b>Total assets</b>	44,839,324
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	214,857
Accrued payroll and benefits payable	96,408
Deposits payable	67,020
Other liabilities	34,927
Short-term internal balances	-
Unearned revenue	97,932
Compensated absences	206,918
Long-term debt - due within one year	38,836
Total current liabilities	756,898
Noncurrent liabilities:	
Long-term debt - due in more than one year	254,849
Total noncurrent liabilities	254,849
<b>Total liabilities</b>	1,011,747
<b>NET POSITION</b>	
Net Investment in capital assets	31,310,220
Restricted for:	
Guarantees of permit performance	65,000
Unrestricted (Note 9)	12,452,357
<b>Total net position</b>	43,827,577
Elimination of water services charged to the governmental funds	194,799
<b>Net position of business-type activities</b>	\$ 43,632,778

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

**Tahoe City Public Utility District**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Proprietary Fund**  
**For the year ended December 31, 2013**

	Water and Sewer Fund
<b>OPERATING REVENUES:</b>	
Service and inspection fees	\$ 8,116,007
Connection fees	152,025
Penalties and discounts	65,375
Other	92,128
<b>Total operating revenues</b>	<b>8,425,535</b>
<b>OPERATING EXPENSES:</b>	
Personnel	3,009,253
Operations	2,236,638
Depreciation	1,444,240
<b>Total operating expenses</b>	<b>6,690,131</b>
<b>OPERATING INCOME</b>	<b>1,735,404</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>	
Property taxes	23,287
Interest income	104,964
Proceeds from sales of capital assets	23,413
Interest expense	(6,120)
<b>Total nonoperating revenues (expenses)</b>	<b>145,544</b>
<b>INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	<b>1,880,948</b>
Capital contributions	1,571,746
<b>Change in net position</b>	<b>3,452,694</b>
<b>NET POSITION:</b>	
Beginning of year as previously reported	40,294,811
Prior Period Restatement (Note 16)	80,072
Beginning of year	40,374,883
End of year	\$ 43,827,577
<b>RECONCILIATION OF CHANGE IN NET POSITION:</b>	
Change in net position for propriety fund	\$ 3,452,694
Elimination of water services charged to the governmental funds	48,452
<b>Change in net position for business-type activities</b>	<b>\$ 3,404,242</b>

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

**Tahoe City Public Utility District**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**For the year ended December 31, 2013**

	Water and Sewer Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Receipts from customers	\$ 8,341,955
Payments to suppliers	(2,309,140)
Payments to employees	(2,798,033)
Internal activity - receipts from other funds	(1,571,303)
Other receipts	(566,591)
<b>Net cash provided by operating activities</b>	<b>1,096,888</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
Property taxes received	23,287
Transfers in	-
<b>Net cash provided by noncapital financing activities</b>	<b>23,287</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Acquisition of capital assets	(2,871,762)
Proceeds from sales of capital assets	23,413
Grants received	1,571,746
Principal payments on long-term debt	(38,836)
Interest paid on long-term debt	(6,120)
<b>Net cash used by capital and related financing activities</b>	<b>(1,321,559)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Interest received	104,993
<b>Net cash provided by investing activities</b>	<b>104,993</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(96,391)</b>
<b>CASH AND CASH EQUIVALENTS</b>	
Beginning of year	8,208,458
End of year	<u>\$ 8,112,067</u>
<b>CASH AND CASH EQUIVALENTS</b>	
Cash and cash equivalents	\$ 8,047,067
Restricted cash and cash equivalents	65,000
<b>Total cash and cash equivalents</b>	<b>\$ 8,112,067</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>	
Operating income	\$ 1,735,404
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,444,240
Changes in assets and liabilities:	
(Increase) Decrease in:	
Accounts receivable	73,923
Grants receivable	(598,727)
Other receivable	20,070
Facilities improvement receivables	29,504
Due from/to other funds	(481,296)
Inventories	(87,941)
Prepaid items and other assets	4,777
Other post employment benefits	227,895
Increase (Decrease) in:	
Accounts payable	15,439
Accrued payroll and benefits	(12,057)
Deposits payable	(10,369)
Other liabilities	(85,580)
Due from other funds (liab)	(1,090,007)
Unearned revenue	(83,769)
Compensated absences	(4,618)
<b>Net cash provided by operating activities</b>	<b>\$ 1,096,888</b>

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



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# NOTES TO BASIC FINANCIAL STATEMENTS

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**Tahoe City Public Utility District  
Notes to Basic Financial Statements  
For the year ended December 31, 2013**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Tahoe City Public Utility District (District) was incorporated on December 20, 1938 as a California Special District and is governed by an elected Board of Directors (Board) consisting of five members. The District's administrative functions are controlled by an appointed District general manager. The District provides the following services to the community: water and sewer services, recreation programs, maintenance of parks, beaches, bike trails, sidewalks and street lighting, and use of community buildings.

**A. Reporting Entity**

The financial reporting entity consists of the District (the primary government) and its component unit, which is discussed below. Component units are legally separate organizations for which the Board of Directors is financially accountable, or other organizations whose nature and significant relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete.

As required by Generally Accepted Accounting Principles (GAAP), these basic financial statements present the District and its component unit for which the District is considered to be financially accountable. The District had no discretely presented component units. Blended component units, although legally separate entities are, in substance, part of the District's operations and data from these units are combined with data of the District. The following entity is deemed to be a blended component unit:

The Tahoe City Public Utility District Public Facilities Financing Corporation (Corporation) was formed on January 29, 1993 as a nonprofit public benefit corporation to provide assistance to the District by financing the acquisition, construction and installation of public facilities, to acquire real and personal property on behalf of the District, and to borrow the necessary funds to pay the cost of such activities including refinancing. The Corporation has a December 31 year-end and had no assets, liabilities, or activity as of and for the year ended December 31, 2013.

**B. Basis of Accounting and Measurement Focus**

The District's Basic Financial Statements are prepared in conformity with accounting principles generally accepted in the United States. The Government Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States.

**Government-Wide Financial Statements**

The District's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities and Changes in Net Position.

**Tahoe City Public Utility District  
Notes to Basic Financial Statements  
For the year ended December 31, 2013**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**B. Basis of Accounting and Measurement Focus, Continued**

**Government-Wide Financial Statements, Continued**

The Government-Wide Financial Statements are presented on an “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all of the District’s assets and liabilities, including capital assets, and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Certain types of transactions reported as program revenues for the District are reported in three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. The following interfund activities have been eliminated:

- Due to/from
- Transfers in/out

The District applies all applicable GASB pronouncements (including all National Council on Governmental Accounting (NCGA) Statements and Interpretations currently in effect) as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the committee on Accounting Procedure.

**Governmental Fund Financial Statements**

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all governmental funds. An accompanying schedule is presented to reconcile and explain the differences in net position as presented in these statements to the net position presented in the Government-Wide Financial Statements. The District has presented all funds as major funds.

**Tahoe City Public Utility District  
Notes to Basic Financial Statements  
For the year ended December 31, 2013**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**B. Basis of Accounting and Measurement Focus, Continued**

**Governmental Fund Financial Statements, Continued**

All governmental funds are accounted for on a spending or “*current financial resources*” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Revenues are recorded when received in cash, except that revenues subject to accrual (generally received up to 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the District, are property tax, grant revenues and earnings on investments. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach of GASB Statement No. 34.

**Proprietary Fund Financial Statements**

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows for the proprietary fund.

The District’s only propriety fund is an enterprise fund which accounts for the District’s water and sewer activities and supporting engineering functions.

Proprietary funds are accounted for using the “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the water and sewer operations and supporting engineering functions of the fund. All other revenues are reported as nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses.

**Use of Restricted/Unrestricted Resources**

When an expense is incurred for purposes for which both restricted and unrestricted resources are available, the District’s policy is to apply restricted resources first.

**Tahoe City Public Utility District  
Notes to Basic Financial Statements  
For the year ended December 31, 2013**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

***B. Basis of Accounting and Measurement Focus, Continued***

**Description of District Funds**

The District reported all its funds as major funds in the accompanying financial statements as follows:

**Governmental Funds:**

*The General Fund* - The General Fund is used for all general revenues and the related expenditures of the District not specifically levied or collected for other District funds. The general fund accounts for all financial resources of a governmental unit which are not accounted for in another fund.

*Debt Service Fund* - This fund accounts for resources accumulated to pay principal and interest due on the District's general long-term debt associated with equipment and facilities financed by the District.

**Proprietary Fund:**

*Water and Sewer Enterprise Fund* - This fund accounts for the operation, maintenance, and development of the District's water production and distribution system, sewage collection and transportation system, and supporting engineering functions.

***C. Cash, Cash Equivalents and Investments***

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturity of three months or less from the date of acquisition. Cash and cash equivalents are combined with investments and displayed as cash and investments.

In accordance with GASB Statement No. 40, *Deposit and Investment Disclosures (Amendment of GASB No. 3)*, certain disclosure requirements for Deposits and Investment Risks were made in the following areas:

- Interest Rate Risk
- Credit Risk
  - Overall
  - Custodial Credit Risk
  - Concentrations of Credit Risk

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

The District participates in an investment pool managed by the State of California titled Local Agency Investment Fund (LAIF), which has invested a portion of the pool funds in Structured Notes and Asset-Backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-Backed Securities are subject to market risk as to change in interest rates.

**Tahoe City Public Utility District**  
**Notes to Basic Financial Statements**  
**For the year ended December 31, 2013**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

*C. Cash, Cash Equivalents and Investments, Continued*

The District is also a voluntary participant in the Placer County Investment Fund (County Pool) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the County. The City reports its investment in the County Pool at the fair value amount provided by the County. The investment of money on deposit is limited to those investments specified by California Government Code Section 53601 and 53635. Included in the County Pool's investment portfolio are US Treasury Notes, Obligations issued by agencies of the United States Government, LAIF, Corporate Notes, Commercial Paper, collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations.

For purposes of the statement of cash flows of the proprietary funds types, cash and cash equivalents include all investments, as the District operates an internal cash management pool which maintains the general characteristics of a demand deposit account.

*D. Restricted Cash and Investments*

Restricted cash and investments are comprised of certificates of deposit which guarantee performance of construction permit provisions and an employee medical reimbursement account for which the District acts as trustee.

*E. Inventory*

The District's inventory balances include supplies used in the maintenance of water and sewer lines, sidewalk fixtures, and benches. Change in the inventory balances are reports as a direct adjustment to the water, sewer, and parks expenditures.

*F. Capital Assets*

The District defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three years. Cost includes direct labor and benefits, outside services, and materials and transportation. Interest incurred in the enterprise fund during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

GASB Statement No. 34 requires that all capital assets with limited useful lives be depreciated over their estimated useful lives. The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets.

Depreciation is provided using the straight line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The District has assigned the useful lives listed below to capital assets:

**Tahoe City Public Utility District  
Notes to Basic Financial Statements  
For the year ended December 31, 2013**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

*F. Capital Assets, Continued*

	Useful Lives
Water and sewer plant	10-50
Recreational facilities	10-20
building	40
Equipment	3-20
Vehicles	5-13

In 2010, the District adopted the newly effective GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This statement requires that all intangible assets not specifically excluded by its scope provision be classified as capital assets. It also defines intangible assets and provides guidance regarding the timing and types of costs to be capitalized. The District has elected to not retroactively report its intangible assets, which include easements and water rights. There was no impact on the financial statements for adopting this statement.

*G. Interest Payable*

In the Government-Wide Financial Statements, interest payable on long-term debt is recognized as the liability is incurred for governmental fund activities and business-type activities.

In the fund financial statements, propriety fund types recognize interest payable when the liability is incurred. Governmental funds recognize interest expense when paid.

*H. Unearned Revenue*

In the Government-Wide Financial Statements and Proprietary Fund Financial Statements, unearned revenue is recognized for transactions for which revenue has not yet been earned. Typical transactions recorded as unearned revenues in the Government-Wide Financial Statements are grants received but not yet earned, prepaid charges for services, and principal and interest received in advance from property taxpayers for debt service requirements.

In the Fund Financial Statements, unearned revenue is recorded when revenue has not yet been earned or when transactions have not yet met the revenue recognition criteria based on the modified accrual basis of accounting. At December 31, 2013, all deferred revenues in the Fund Financial Statements represent revenues that were not earned at year-end. Therefore, all of the deferred revenues in the Fund Financial Statements were reported as unearned revenue in the Government-Wide Financial Statements.

*I. Long-Term Debt*

Government-Wide and Proprietary Fund Financial Statements - Long-term debt and other long-term obligations are reported as liabilities in the appropriate activities.

**Tahoe City Public Utility District  
Notes to Basic Financial Statements  
For the year ended December 31, 2013**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

*I. Long-Term Debt, Continued*

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

Governmental Fund Financial Statements - The fund financial statements do not present long-term debt but it is presented in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position.

Bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as other financing sources net of the applicable premium or discount. Issuance costs, whether or not withheld from the actual net proceeds received, are reported as debt service expenditures.

*J. Compensated Absences*

Compensated absences comprise portions of vacation leave which are accrued as earned but not yet used by District employees. Compensated absences expense is charged to the various departments as the expense is incurred. The liability for compensated absences incurred in the proprietary fund is recorded in the fund and in the business-type activities of the government-wide financial statements. The liability incurred by governmental funds is recorded as part of governmental activities in the government-wide financial statements as these liabilities are not current and are not recorded in the funds. The General Fund is used to liquidate the liability for compensated absences of the governmental funds.

*K. Property Tax*

Placer and El Dorado Counties assess properties and bill, collect, and distribute property taxes to the District. Secured and unsecured property taxes are levied on August 31 of the preceding fiscal year.

Secured property tax is due in two installments, on November 1 and February 1, and becomes a lien on those dates. It becomes delinquent on December 10 and April 10, respectively. Unsecured property tax is due on July 1, and becomes delinquent on August 31. The term "unsecured" refers to taxes on personal property other than real estate, land and buildings. These taxes are secured by liens on the property being taxed. Property tax revenues are recognized by the District in the year they are assessed provided they become available as defined above.

*L. Net Position*

**Government-Wide Financial Statements**

In the Government-Wide Financial Statements, net position are classified in the following categories:



**Tahoe City Public Utility District  
Notes to Basic Financial Statements  
For the year ended December 31, 2013**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**L. Net Position, Continued**

Invested in Capital Assets, Net of Related Debt – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Position – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of governments.

Unrestricted Net Position – This amount is all net position that do not meet the definition of “invested in capital assets, net of related debt” or “restricted net position” as defined above.

**Fund Financial Statements**

The District’s Board adopted Resolution 11-39 for the Classification of the Fund Balances as required by Governmental Accounting Standards Board 54 and adoption of the General Fund Reserve Policy.

Beginning in fiscal year 2011, the District has reclassified fund balances into the following five Categories to comply with the Governmental Accounting Standards Board Statement (GASB) No. 54, Fund Balance and Governmental Fund Types. Fund balance is defined as the difference between assets and liabilities.

**Nonspendable** fund balances will include amounts that cannot be spent because they are either in nonspendable form or they are legally required to be maintained intact. Examples of nonspendable fund balances include inventory and prepaid items.

**Restricted** fund balances will exist when constraints are placed on the use of those resources that are either externally imposed or imposed by law. In general most reserve funds will fall into this category.

**Committed** fund balances are amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision making authority, the District’s Board of Directors.

**Assigned** fund balances will be amounts that are constrained by the government’s intent to be used for specific purposes, but are neither restricted, nor committed. The intent can be made by either the governing body itself or a body or official to which the governing body has delegated the authority to the General Manager.

**Unassigned** fund balances will represent those funds that have not been assigned, committed, restricted or considered nonspendable. The general fund will be the only fund that will report unassigned fund balance, unless a deficit fund balance resulting from overspending in other funds exist. Fund balance in other funds will either be assigned, committed, restricted or nonspendable unless the fund reports a deficit.

**Tahoe City Public Utility District  
Notes to Basic Financial Statements  
For the year ended December 31, 2013**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

*M. Use of Estimates*

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. In addition, estimates affect the reported amount of expenses. Actual results could differ from these estimates and assumptions.

In 2011, the District adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statements:

GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions - This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

GASB Statement No. 59, Financial Instruments Omnibus - This statement updates and improves existing standards regarding financial reporting of certain financial instruments and external investment pools.

In 2012, the District adopted GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. This statement standardizes the presentation of deferred balances and their effects on government's net position.

In 2013, the District adopted GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. The District had no items in 2013 that qualify for reporting as deferred inflows or deferred outflows of resources.

**2. CASH AND INVESTMENTS**

The District pools cash from all sources and all funds, except Restricted Cash, so that it can be invested at the maximum yield, consistent with safety and liquidity, while allowing individual funds to make expenditures at any time.

Investment income is allocated among funds on the basis of average month-end cash and investment balances of the respective funds. However, since most of the investments are carried in the enterprise fund, the majority of investment income is also recorded in that fund.

Cash and investments maturing in three months or less at the time of purchase are considered to be cash and cash equivalents for purposes of measuring cash flows.

**Tahoe City Public Utility District  
Notes to Basic Financial Statements  
For the year ended December 31, 2013**

**2. CASH AND INVESTMENTS, Continued**

**A. Cash Deposits**

The carrying amounts of the District's operating cash balance \$443,333 at December 31, 2013. Bank balances were \$799,534, the total amount of which was insured and/or collateralized with securities held by the pledging financial institutions in the District's name as discussed below.

The California Government Code requires California banks and savings and loan associations to secure the District's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the District's name.

The fair value of pledged securities must equal at least 110% of the cash deposits. California law also allows institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the District's total cash deposits. This collateral is held by the institution but is considered to be held in the District's name and places the District ahead of general creditors of the institution. The District has waived collateral requirements for the portion of deposits covered by federal deposit insurance.

**B. Investments**

Under the provisions of the District's investment policy, and in accordance with California Government Code, the following investments are authorized:

- United States Treasury Bills, Bonds, and Notes
- Obligations issued by Agencies of the United States Government
- Certificate of Deposit and other evidences of deposit at banks and savings and loan associations
- California Local Agency Investment Fund
- Placer County Treasury Investment Pool Fund

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California.

The District's investments with LAIF at December 31, 2013, include a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments include the following:

Structured Notes are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations), small business loans, or credit card receivables.

As of December 31, 2013, the District had \$391,962 invested with LAIF and \$11,022,589 invested with the Placer County Treasurer. LAIF had invested 2.19% of the pool investment funds in Structured Notes and

**Tahoe City Public Utility District  
Notes to Basic Financial Statements  
For the year ended December 31, 2013**

**2. CASH AND INVESTMENTS, Continued**

*B. Investments, Continued*

Asset-Backed Securities. Fair value of LAIF and Placer County was calculated by applying a factor of 1.00028762 to total investments held by both. At December 31, 2013, the LAIF and Placer County Treasurer balance did not reflect an amortized cost of \$11,418 which approximates the fair market value.

*C. Summary of Cash & Investments*

The following is a summary of cash and investments at December 31, 2013:

	Government-Wide Statement of Net Assets		
	Governmental	Business-Type	Total
	Activities	Activities	
Operating cash deposits	\$ -	\$ 443,333	\$ 443,333
Imprest and other	2,300	300	2,600
Investments	3,808,817	7,603,434	11,412,251
Total cash and investments	3,811,117	8,047,067	11,858,184
Current - Restricted cash and investments	19,538		19,538
Noncurrent-Restricted cash and investments		65,000	65,000
Total All	<u>\$ 3,830,655</u>	<u>\$ 8,112,067</u>	<u>\$ 11,942,722</u>

*D. Risks*

*Interest Rate Risk.* As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy provides that final maturities of securities cannot exceed five years. Specific maturities of investments depend on liquidity needs. At December 31, 2013, the total amount of the District's investments and restricted investments was deposited with LAIF and Placer County Treasurer Investment Pool which is available to the District on demand or invested in bank certificates of deposit maturing in less than one year. As a result, the District was not significantly exposed to interest rate risk.

*Credit Risk.* At December 31, 2013, the District's investments which were invested in LAIF and Placer County Treasurer were not rated. The fair value of the District asset held in LAIF and Placer County Treasurer is materially equivalent to the value of the pool shares.

*Custodial Credit Risk.* For an investment, custodial credit risk is the risk that, in the event of the failure of the counter party, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. None of the District's securities is held by a third-party custodian.

**Tahoe City Public Utility District  
Notes to Basic Financial Statements  
For the year ended December 31, 2013**

**2. CASH AND INVESTMENTS, Continued**

*E. Restricted Cash and Investments*

Restricted cash and investments for the District amounted to \$84,538. This amount breaks out as follows: \$65,000 was invested in certificates of deposit as required by agreements with the Tahoe Regional Planning Agency and the California Water Quality Control Board. The certificates of deposit cannot be released from restricted without the approval of the listed agencies. The remainder of the funds, in the amount of \$19,538, was in the District's Section 125 medical reimbursement account which is restricted for the sole use of the District's employees.

**3. INTERFUND TRANSACTIONS**

*A. Due to/due from other funds*

Short term interfund loans between funds at December 31, 2013 were as follows:

		Due to other funds		
		General Fund	Water and Sewer	Total
Due from other funds	Water and Sewer	\$ 482,801	\$ -	\$ 482,801
	Debt Service	-	1,505	(1,505)
		<u>\$ 482,801</u>	<u>\$ 1,505</u>	<u>\$ 481,296</u>

The amounts due to the Water and Sewer Enterprise Fund represent the residual balance of normal operating transfers.

*B. Transfers In and Out*

Transfers out to the Water and Sewer Enterprise fund are primarily to provide funding for current year capital projects and designate additional reserves for future capital projects. In 2013 there were no transfers to the Water and Sewer Enterprise fund.

**Tahoe City Public Utility District  
Notes to Basic Financial Statements  
For the year ended December 31, 2013**

**4. CAPITAL ASSETS**

*A. Government-Wide Financial Statements*

At December 31, 2013, the District's capital assets consisted of the following:

	Governmental Activities	Business-Type Activities	Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Non-depreciable assets:			
Land	\$ 5,251,592	\$ -	\$ 5,251,592
Intangible license	150,000	-	150,000
Construction in progress	714,970	1,265,127	1,980,097
	<u>6,116,562</u>	<u>1,265,127</u>	<u>7,381,689</u>
Total non-depreciable assets			
Depreciable assets:			
Water and sewer plant	-	65,036,352	65,036,352
Recreational facilities	36,743,205	-	36,743,205
Office building and equipment	3,999,470	4,607,540	8,607,010
Vehicles	411,442	1,494,669	1,906,111
	<u>41,154,117</u>	<u>71,138,561</u>	<u>112,292,678</u>
Total depreciable assets			
Less accumulated depreciation:			
Water and sewer plant	-	(37,166,111)	(37,166,111)
Recreational facilities	(16,756,401)	-	(16,756,401)
Office building and equipment	(1,833,920)	(2,807,435)	(4,641,355)
Vehicles	(270,563)	(826,238)	(1,096,801)
	<u>(18,860,884)</u>	<u>(40,799,784)</u>	<u>(59,660,668)</u>
Total accumulated depreciation			
Net depreciable assets	<u>22,293,233</u>	<u>30,338,777</u>	<u>52,632,010</u>
<b>Total capital assets, net</b>	<u>\$ 28,409,795</u>	<u>\$ 31,603,904</u>	<u>\$ 60,013,699</u>

**Tahoe City Public Utility District  
Notes to Basic Financial Statements  
For the year ended December 31, 2013**

**4. CAPITAL ASSETS, Continued**

**A. Government-Wide Financial Statements, Continued**

The following is a summary of changes in the capital assets for governmental activities during the fiscal year:

Governmental Activities	Balance as of January 1, 2013	Additions	Retirements	Transfers/ Adjustments	Balance as of December 31, 2013
Capital assets, not being depreciated:					
Land	\$ 5,251,592	\$ -	\$ -	\$ -	\$ 5,251,592
Non-depreciable license	150,000	-	-	-	150,000
Construction in progress	461,515	462,976	-	(209,521)	714,970
Total capital assets, not being depreciated	<u>5,863,107</u>	<u>462,976</u>	<u>-</u>	<u>(209,521)</u>	<u>6,116,562</u>
Capital assets, being depreciated:					
Recreational facilities	36,558,879	184,328	-	-	36,743,207
Office building and equipment	3,923,939	107,851	(32,320)	-	3,999,470
Vehicles	411,442	-	-	-	411,442
Total capital assets, being depreciated	<u>40,894,260</u>	<u>292,179</u>	<u>(32,320)</u>	<u>-</u>	<u>41,154,119</u>
Less accumulated depreciation for:					
Recreational facilities	(15,255,228)	(1,501,175)	-	-	(16,756,403)
Office building and equipment	(1,771,642)	(94,598)	32,320	-	(1,833,920)
Vehicles	(245,527)	(25,036)	-	-	(270,563)
Total accumulated depreciation	<u>(17,272,397)</u>	<u>(1,620,809)</u>	<u>32,320</u>	<u>-</u>	<u>(18,860,886)</u>
Net capital assets being depreciated	<u>23,621,863</u>	<u>(1,328,630)</u>	<u>-</u>	<u>-</u>	<u>22,293,233</u>
Governmental activities capital assets, net	<u>\$ 29,484,970</u>	<u>\$ (865,654)</u>	<u>\$ -</u>	<u>\$ (209,521)</u>	<u>\$ 28,409,795</u>

Depreciation expense for capital assets during the year ended December 31, 2013 was charged to the different activities as follows:

Public works - parks	\$ 1,586,683
Recreation	<u>34,126</u>
Total	<u>\$ 1,620,809</u>

**Tahoe City Public Utility District  
Notes to Basic Financial Statements  
For the year ended December 31, 2013**

**4. CAPITAL ASSETS, Continued**

**A. Government-Wide Financial Statements, Continued**

The following is a summary of changes in the capital assets for business-type activities during the fiscal year:

Business-Type Activities	Balance as of January 1, 2013	Additions	Retirements	Transfers/ Adjustments	Balance as of December 31, 2013
Capital assets, not being depreciated:					
Construction in progress	\$ 2,603,083	\$ 2,718,714	\$ -	\$ (4,056,670)	\$ 1,265,127
Total capital assets, not being depreciated	2,603,083	2,718,714	-	(4,056,670)	1,265,127
Capital assets, being depreciated:					
Water and sewer plant	60,938,440	41,242	-	4,056,670	65,036,352
Equipment	4,688,142	28,799	(109,401)	-	4,607,540
Vehicles	1,477,151	83,007	(65,489)	-	1,494,669
Total capital assets, being depreciated	67,103,733	153,048	(174,890)	4,056,670	71,138,561
Less accumulated depreciation for:					
Water and sewer plant	(36,604,606)	(613,245)	51,740	-	(37,166,111)
Equipment	(2,147,967)	(717,046)	57,578	-	(2,807,435)
Vehicles	(777,861)	(113,949)	65,572	-	(826,238)
Total accumulated depreciation	(39,530,434)	(1,444,240)	174,890	-	(40,799,784)
Net capital assets being depreciated	27,573,299	(1,291,192)	-	4,056,670	30,338,777
Business-type activities capital assets, net	<u>\$ 30,176,382</u>	<u>\$ 1,427,522</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,603,904</u>

Depreciation expense for capital assets for December 31, 2013 was charged to the different activities as follows:

Water	\$ 816,905
Sewer	627,335
Total	<u>\$ 1,444,240</u>



**Tahoe City Public Utility District  
Notes to Basic Financial Statements  
For the year ended December 31, 2013**

**5. UNEARNED REVENUE**

*Government-Wide Financial Statements*

At December 31, 2013, there were no differences between unearned revenues in the Government-Wide Financial Statements and the Fund Financial Statements. All amounts represent revenues that had been collected or billed, but not yet earned, as follows:

	Governmental Activities		Total Governmental Activities	Business-Type Activities	Total
	Governmental Funds			Enterprise Fund	
	General Fund	Debt Service Fund	Water Sewer Fund		
Golf minimum lease payment	\$ 2,807	\$ -	\$ 2,807	\$ -	\$ 2,807
Sidewalk principle and interest	-	7,355	7,355	-	7,355
Water system studies grant	-	-	-	97,932	97,932
<b>Total</b>	<b>\$ 2,807</b>	<b>\$ 7,355</b>	<b>\$ 10,162</b>	<b>\$ 97,932</b>	<b>\$ 108,094</b>

**6. LONG TERM DEBT**

The following is a summary of long-term debt transactions for the year ended December 31, 2013:

	Maturity Date	Interest Rate	Balance January 1, 2013	Additions	Retirements	Balance December 31, 2013	Current Portion	Due in More than One Year
<b>Governmental Activities</b>								
Sidewalk Improvement Bonds	2019	6.02%	\$ 87,592	\$ -	\$ (12,513)	\$ 75,079	\$ 12,513	\$ 62,566
Bank of America Loan - 2003	2013	3.58%	143,291	-	(143,291)	-	-	-
Bank of America Loan - 2004	2014	4.50%	107,866	-	(71,108)	36,758	36,758	-
Zions Bank Loan	2017	4.30%	1,105,961	-	(202,783)	903,178	248,482	654,696
State Water Resources Control Board Taxable Pension Obligation	2028	1.80%	1,926,792	-	(104,963)	1,821,829	106,856	1,714,973
Refunding Bonds	2019	4.05%	1,903,353	-	(261,378)	1,641,975	272,125	1,369,850
<b>Total Governmental activities</b>			<b>\$ 5,274,855</b>	<b>\$ -</b>	<b>\$ (796,036)</b>	<b>\$ 4,478,819</b>	<b>\$ 676,734</b>	<b>\$ 3,802,085</b>
<b>Business-Type Activities</b>								
2001 Refunding Bonds								
Series C	2021	6.05%	\$ 332,521	-	\$ (38,836)	\$ 293,685	\$ 38,836	\$ 254,849
<b>Total Business-type activities</b>			<b>\$ 332,521</b>	<b>\$ -</b>	<b>\$ (38,836)</b>	<b>\$ 293,685</b>	<b>\$ 38,836</b>	<b>\$ 254,849</b>

**Tahoe City Public Utility District  
Notes to Basic Financial Statements  
For the year ended December 31, 2013**

**6. LONG TERM DEBT, Continued**

Future principal and interest payments on all long-term debt were as follows at December 31, 2013:

For the Year Ending 12/31	Governmental Activities			
	Sidewalk Improvement Bonds		Bank of America Loans	
	Principal	Interest	Principal	Interest
2014	\$ 12,513	\$ 1,502	\$ 36,758	\$ 827
2015	12,513	1,252	-	-
2016	12,513	1,002	-	-
2017	12,513	751	-	-
2018-2019	25,027	751	-	-
	<u>\$ 75,079</u>	<u>\$ 5,258</u>	<u>\$ 36,758</u>	<u>\$ 827</u>

For the Year Ending 12/31	Governmental Activities			
	Zions Bank Loan		State Water Resources Control Board	
	Principal	Interest	Principal	Interest
2014	\$ 211,596	\$ 36,586	\$ 106,856	\$ 32,848
2015	220,792	27,390	108,783	30,921
2016	230,389	17,794	110,744	28,960
2017	240,401	7,780	112,741	26,963
2018-2020	-	-	350,565	68,545
2021-2025	-	-	627,700	70,817
2026-2028	-	-	404,440	14,671
	<u>\$ 903,178</u>	<u>\$ 89,550</u>	<u>\$ 1,821,829</u>	<u>\$ 273,725</u>

For the Year Ending 12/31	Governmental Activities		Business-Type Activities	
	Pension Refunding Bonds		2001 Refunding Bonds Series C	
	Principal	Interest	Principal	Interest
2014	\$ 272,125	\$ 62,402	\$ 39,576	\$ 5,380
2015	283,315	51,212	40,331	4,626
2016	294,964	39,563	41,100	3,857
2017	307,093	27,434	71,883	3,073
2018-2021	484,478	17,313	100,795	4,368
	<u>\$ 1,641,975</u>	<u>\$ 197,924</u>	<u>\$ 293,685</u>	<u>\$ 21,304</u>

**Tahoe City Public Utility District  
Notes to Basic Financial Statements  
For the year ended December 31, 2013**

**LONG TERM DEBT, Continued**

*Governmental Activities*

Sidewalk Improvement Bonds - The District issued \$212,723 of original principal amount Sidewalk Improvement Bonds, with an initial interest rate of 5.75%, on December 27, 2001 to finance the design, engineering, easement acquisition and other costs for the Tahoe City downtown sidewalk project. The interest rate adjusts every five years to a rate equal to 115% of the Five Year Advance Fixed Rate as quoted on such date by the Seattle Federal Home Loan Bank. The interest is payable semi-annually on March 2 and September 2 of each year. The District is empowered and is obligated to levy ad valorem taxes, without limitation as to rate or amount upon certain property subject to taxation within the District (downtown properties which benefit from the project) for the payment of interest and principal on the Bonds. The Bonds are subject to optional and mandatory early redemption provisions. The Bonds' principal payments are payable annually on September 2, in the amount of \$12,513.

Bank of America Loan - 2003 - The District entered into a 10 year financing in the amount of \$2,434,000 with LaSalle Bank National Association (subsequently acquired by Banc of America Leasing), with an interest rate of 3.58%, on May 29, 2003 to finance the redemption of the 1993 Series A Certificates of Participation and the acquisition or construction of water and sewer equipment and projects. The principal and interest payments are payable semi-annually on November 29 and May 29, and the District may prepay all outstanding principal and accrued interest on any payment date. The source of principal and interest payments for this loan is general property tax revenues. The final debt service payment was made in May 2013.

Bank of America Loan - 2004 - The District entered into a 10 year financing in the amount of \$600,000 with LaSalle Bank National Association (subsequently acquired by Banc of America Leasing), with an interest rate of 4.5%, on June 30, 2004 to finance water and sewer improvement projects. The principal and interest payments are payable semi-annually on June 30 and December 31, and may be prepaid in full on the payment dates. The source of principal and interest payments for this loan is general property tax revenues.

Zions Bank Loan - The District completed a \$2,000,000 financing on August 1, 2007 with Zions First National Bank to fund sewer and water capital projects. This 10 year financing bears interest at 4.3% and requires semi-annual principal and interest payments on February 1 and August 1. This transaction is not subject to prepayment. The source of principal and interest payments for this loan is general property tax revenues.

Taxable Pension Obligation Refunding Bonds 2011 - The District entered into an 8 year financing in the amount of \$2,280,000 with Bank of America with an interest rate of 4.05% on June 21, 2011 to refund certain pension benefits to the California Public Employees' Retirement System (CalPERS). The principal and interest payments are payable quarterly on March 15, June 15, September 15, and December 15, and the District may prepay all outstanding principal and accrued interest on any payment date. The source of principal and interest payments for this loan is general property tax revenues.

**Tahoe City Public Utility District  
Notes to Basic Financial Statements  
For the year ended December 31, 2013**

**6. LONG TERM DEBT, Continued**

*Governmental Activities, Continued*

State Water Resources Control Board (State Revolving Fund) Financing - The District signed Installment Sales Agreement No. C-06-4779-110 with the California State Water Resources Control Board (SWRCB) on March 21, 2008 for the partial financing of the Harbor Master Sewer Pump Station in Tahoe City. During 2008, the TCPUD received a total of \$2,328,382 in reimbursement of construction costs incurred on the new sewer pump station. The District selected the SWRCB's zero interest option, which required a local cost matching of \$465,688 and obligates the TCPUD to pay a total of \$2,794,070 over the 20 year term of the financing. The District will make 20 annual payments of \$139,703 through September 30, 2028 resulting in an effective interest rate of 1.803%. The source of principal and interest payments for this loan is general property tax revenues.

*Business-Type Activities*

2001 Refunding Bonds, Series A, B and C - On December 27, 2001, the District issued \$179,730, \$878,624 and \$602,994 of the 2001 Refunding Bonds, Series A, B and C, respectively, with an initial interest of 5.75%, to refund State Loans 4, 5 and 6. Only Series C of the 2011 Refunds Bonds remain outstanding. The interest rate for Series C adjusts every five years to a rate equal to 115% of the Five Year Advance Fixed Rate as quoted on such date by the Seattle Federal Home Loan Bank. The District is obligated to levy ad valorem taxes or other revenues, without limitation as to rate or amount upon certain property subject to taxation within the District for the payment of interest and principal of the 2001 Limited Obligation Refunding Bonds. The principal and interest payments are payable semi-annually on July 1 and January 1 of each year.

**7. PLEDGES OF FUTURE REVENUES**

As disclosed in Footnote 6, Long Term Debt, the District has pledged future general property tax revenues to the repayment of the loans listed below:

	Annual Principal & Interest	Percentage of 2013 General Property Tax Pledged
<b>Governmental Activities</b>		
Bank of America Loan - 2003	\$ 145,856	2.6%
Bank of America Loan - 2004	75,171	1.3%
Bank of America Loan - 2011	334,635	6.0%
Zions Bank Loan	248,182	4.4%
State Water Resources Control Board	139,704	2.5%
2001 Refunding Bonds Series C	23,287	0.4%
Unpledged General Property Tax Revenues	<u>4,625,803</u>	<u>82.8%</u>
Total 2013 General Property Tax Revenues	<u>\$ 5,592,638</u>	<u>100.0%</u>

**Tahoe City Public Utility District  
Notes to Basic Financial Statements  
For the year ended December 31, 2013**

**7. PLEDGES OF FUTURE REVENUES, Continued**

The Sidewalk Improvement Bonds and Series C 2001 Refunding Bonds are payable from specific voter approved ad valorem property tax assessments.

The Series C 2001 Refunding Bonds are partially payable from supplemental user fees from water customers in a certain area. The series C 2001 Refunding Bonds constitute absolute and unconditional obligation of the District payable from all available funds of the District, including ad valorem assessments collectible through El Dorado and Placer Counties in the same manner as permitted for State Loans 4, 5, and 6 (which these bonds refunded); provided, however, no specific source of revenues or other funds of the District are pledged other than such ad valorem assessments, nor is the District obligated to levy or pledge any form of taxation to make payments of principal and interest on the Bonds.

**8. COMPENSATED ABSENCES**

Compensated absences balances and activity for the year ended December 31, 2013 were as follows:

	Balance			Balance	Due within
	<u>January 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>December 31, 2013</u>	<u>One Year</u>
Governmental Activities	\$ 180,376	\$ 142,038	\$ (159,071)	\$ 163,343	\$ 163,343
Business-Type Activities	<u>211,536</u>	<u>172,313</u>	<u>(176,931)</u>	<u>206,918</u>	<u>206,918</u>
<b>Total</b>	<u>\$ 391,912</u>	<u>\$ 314,351</u>	<u>\$ (336,002)</u>	<u>\$ 370,261</u>	<u>\$ 370,261</u>

The General Fund is used to liquidate the majority of the liability for compensated absences recorded in governmental activities, and the Water and Sewer fund is used to liquidate the liabilities recorded in business-type activities. All of the compensated absences balances represent vacation and compensated time that are due within one year.

**Tahoe City Public Utility District  
Notes to Basic Financial Statements  
For the year ended December 31, 2013**

**9. FUND BALANCES / NET POSITION**

The District's Board adopted Resolution 11-39 for the Classification of the Fund Balances as required by Governmental Accounting Standards Board 54 and adoption of the General Fund Reserve Policy.

The following General Fund balance at December 31, 2013 is as follows. Non-spendable consists of prepaid items and inventory. The District has assigned \$450,000 in the General Fund for the long-term replacement of capital assets within the District Parks.

Non-Spendable	\$ 67,507
Assigned	
Long-term capital replacement	450,000
Unassigned fund balance	4,269,739
Total Fund Balance General Fund	<u>\$ 4,787,246</u>

The District designated the unrestricted net position of the proprietary fund at December 31, 2013 as follows:

Designated for:

Long-term capital replacement	\$ 4,153,516
Property tax reserve - water	1,562,653
Cash flow requirements	250,000
Emergencies	750,000
Total designated net position - proprietary activities	<u>6,716,169</u>
Undesignated	<u>5,736,188</u>
Total unrestricted net position proprietary fund	<u>\$ 12,452,357</u>

**10. PENSION PLANS**

The District has a defined benefit retirement plan, the Miscellaneous Plan of Tahoe City Public Utility District (Plan). The plan provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and their beneficiaries.

Plan Description. The District contributes to the California Public Employees Retirement System (PERS); a cost sharing multiple-employer defined benefit pension plan. Since the District has less than 100 employees it is required to participate in a risk pool. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and District resolution. Copies of the PERS annual financial report may be obtained from their executive offices at 400 P Street, Sacramento, CA 95814.

**Tahoe City Public Utility District  
Notes to Basic Financial Statements  
For the year ended December 31, 2013**

**10. PENSION PLANS, Continued**

Funding Policy. Participants are required to contribute 8% of their annual covered compensation to the Plan. Pursuant to labor contracts beginning July 1, 2011 employees began making a contribution of 1% towards the 8% employee contribution portion of the pension plan. Effective January 1, 2012 and each year thereafter, the employee's deduction toward the employee portion of the pension contribution will be increased by an amount equal to 75% COLA applied for the same year until such time the employee is paying the entire employee contribution. The schedule to date for funding is as follows:

Effective Date	COLA	75.00% of COLA	Total EPMC	Employer Paid	Employee Paid
			8.00%	8.00%	0.00%
7/1/2011				7.00%	1.00%
1/1/2012	3.20%	2.40%		4.60%	3.40%
1/1/2013	1.80%	1.35%		3.25%	4.75%

During the fiscal year the District paid \$112,476 and the employees paid \$147,835 of the required 8% contribution. The District is also required to contribute at an actuarially determined rate; the current rate is

15.685% of annual covered compensation for miscellaneous employees. The contribution requirements of plan members and the District are established and may be amended by PERS.

Annual Pension Costs. The District's annual pension cost of \$513,739 was equal to the District's required and actual contribution. The required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected salary increases ranging from 3.55% to 14.45% depending upon age, service, and type of employment, and (c) 3.00% for inflation compounded annually. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a 15-year period. PERS unfunded actuarial accrued liability (or surplus) is being amortized as a level percentage of projected payrolls on a closed basis. The average remaining amortization period at June 30, 2011 was 20 years for miscellaneous employees for prior and current service unfunded liability.

**Five-Year Trend Information for PERS**

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligatin
2009	\$ 673,081	100.0%	\$ -
2010	\$ 668,034	100.0%	\$ -
2011	\$ 589,521	100.0%	\$ -
2012	\$ 503,951	100.0%	\$ -
2013	\$ 513,739	100.0%	\$ -

Funding Status as of the Most Recent Actuarial Date. The District retirement plans for miscellaneous employees are part of the CalPERS risk pool for cities and other government entities that have less than 100 active

**Tahoe City Public Utility District  
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**10. PENSION PLANS, Continued**

members. Actuarial valuations performed included other participants within the same risk pool. Therefore, standalone information of the schedule of the funding progress for the District's miscellaneous employees is no longer available or disclosed.

Net Pension Asset. In fiscal year 2011, the District prepaid its unfunded PERS side fund in the amount of \$2,242,000. In 2003 CALPERS combined the retirement plans for all public agencies with "small" plans to reduce the volatility of employer contribution rates. CalPERS also created for each member agency a so-called Side Fund to amortize each agency's June 30, 2003 unfunded liability over a fixed term at a fixed interest rate. The PERS side fund represents the District's specific liability that was assumed by the District's at the time of this CALPERS pooling process. This prepayment has been recorded on the Statement of Net Position as a Net Pension Asset.

In accordance with GASB Statement No. 27, the net pension asset will be amortized using the same amortization methodology utilized by PERS to calculate the Annual Required Contribution (ARC) each year. A summary of the methodology used is as follows:

Amortization Method	Level Percent of Payroll
Average Remaining Period (as of 12/31/2011)	7.5 years
Investment Rate of Return	7.75% (net of administrative expenses)
Payroll Growth	3.25%

Interest on the Net Pension Asset (NPA) is calculated as a percentage of the NPA's balance at the beginning of each year based on the investment rate of return stated above and is added to the balance of the NPA for that year.

A summary of the changes to the NPA for the year ended December 31, 2013 is as follows:

	Balance as of January 1, 2013	Additions	Deletions	Balance as of December 31, 2013
Business-Type Activities	\$ 1,956,439	\$ 151,624	(\$376,380)	\$ 1,731,683



**Tahoe City Public Utility District  
Notes to Basic Financial Statements  
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**11. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

*Plan Description* - TCPUD administers a single-employer defined benefit healthcare plan (the Retiree Health Plan) which provides lifetime fixed monthly payments for a portion of medical premiums and full dental and vision coverage for eligible retirees and their dependents. The majority of participants are covered through the District's PERS group health insurance plan, and all receive benefits from the TCPUD's self-administered dental and vision plans. Benefit provisions are established through negotiations among the District and the International Union of Operating Engineers Stationary Local No. 39 (Union) representing classified employees and an informal bargaining group representing managers, supervisors, and professional employees. The Retiree Health Plan does not issue a publicly available financial report.

*Funding Policy* - Contribution requirements are also negotiated among the District, the Union, and the informal bargaining group. The TCPUD currently contributes monthly maximums toward medical premiums of \$622.40 for a retiree with 2 or more dependents, \$487.09 for a retiree with 1 dependent, and \$243.55 for an individual retiree. The District pays the full cost of dental and vision benefits for eligible retirees and their dependents. Employees with less than 20 years of TCPUD service at retirement receive fractions of the monthly maximums for medical premiums described above based on years of service. During 2013, the District paid \$129,353 toward retiree medical premiums and \$29,304 for retiree dental and vision claims, which amounted to \$158,657, as contributions to OPEB. TCPUD also placed \$82,524 into the California Employers' Retiree Benefit Trust, to be applied towards the OPEB obligation. This provided \$241,181 as total contributions in 2013.

*Annual OPEB Cost and Net OPEB Obligation* - The District's annual other postemployment benefit (OPEB) expense is calculated based on the annual required contribution of the employer (ARC) which is included in the proprietary fund. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period of thirty years. The following table shows the components of TCPUD's annual OPEB cost for the year, the amount actually contributed to the plan through deposits to the California Employers' Retiree Benefit Trust and premiums and claims paid, and changes in the District's net OPEB asset for the Retiree Health Plan:

Annual required contribution	\$ 240,096
Interest adjustment	4,224
Annual OPEB Expense	<u>244,320</u>
Contribution made	241,181
Increase in net OPEB asset	<u>(3,139)</u>
Net OPEB Asset - beginning of year	318,212
Net OPEB Asset - end of year	<u><u>\$ 315,073</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Retiree Health Plan, and the net OPEB asset for the fiscal year ended December 31, 2013 and the last four previous fiscal years are as follows:

**Tahoe City Public Utility District**  
**Notes to Basic Financial Statements**  
**For the year ended December 31, 2013**

**11. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS, Continued**

Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Asset
2009	\$ 236,552	222.0%	\$ 288,366
2010	\$ 215,902	108.0%	\$ 306,507
2011	\$ 235,854	105.0%	\$ 318,212
2012	\$ 238,730	100.0%	\$ 318,212
2013	\$ 244,320	98.7%	\$ 315,073

Funded Status and Funding Progress - As of December 31, 2013, the actuarial accrued liability for benefits was \$2,862,635, of which \$1,030,005 was funded in the California Employers' Retiree Benefit Trust. The covered payroll (annual payroll of active employees covered by the plan) was \$3,246,179 and the ratio of the unfunded actuarial liability to the covered payroll was 56.5%.

The projection of future benefit payments for an ongoing plan involves estimates of the value of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

The funding method used is entry age normal cost. Plan assets are valued at fair market value at December 31, 2013. The discount rate used is 7.61%. Salary increases are assumed to equal 3.25% per year. Mortality, turnover, and retirement rates are taken from CalPERS tables for employees in the District's retirement plan. Healthcare costs are projected based on the District's fixed contribution and dental and vision costs are projected to increase 4.5% per year. The unfunded actuarial liability is being amortized on a level dollar, closed basis over 30 years. The remaining amortization period at December 31, 2013 was 26 years.

**Tahoe City Public Utility District**  
**Notes to Basic Financial Statements**  
**For the year ended December 31, 2013**

**12. RISK MANAGEMENT**

The District is a member of the Association of California Water Agencies Joint Powers Insurance Authority (ACWA-JPIA) for the operation of common risk management and insurance programs. The program covers workers' compensation, property, liability, errors and omissions and public employee dishonesty insurance. The ACWA-JPIA is governed by an Executive Board consisting of representatives from member districts. The Executive Board controls the operations of the ACWA-JPIA, including selection of management and approval of operating budgets.

The following is a summary of financial information for ACWA-JPIA as of the latest date for which such audited information is available:

	September 30, 2013	September 30, 2012
Total assets	\$ 194,823,604	\$ 188,033,750
Total liabilities	100,307,836	100,670,416
Total net assets	94,515,768	87,363,334
Total operating revenues	140,290,060	58,436,313
Total operating expenses	133,299,974	55,071,111

The District 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. For workers' compensation, property, liability, errors and omissions and public employee dishonesty insurance, the District has joined together with other special districts within the State to form the ACWA-JPIA.

ACWA-JPIA provides coverage for up to a maximum of \$2,000,000 for each workers' compensation claim, \$50,000 for each property claim, and \$1,000,000 for each general liability claim. ACWA-JPIA also purchases excess coverage from commercial insurers for up to the statutory limits for each workers' compensation claim, \$100,000,000 for each property claim and \$60,000,000 for each general liability claim. The property insurance coverage contains deductibles of \$2,500 for each occurrence. The District also has a retention level of \$25,000 for auto and general liability insurance. None of the District's claims have exceeded insured amounts for the prior three years.

The District pays premiums to the ACWA-JPIA for general liability and property insurance based upon actuarial calculations and pays workers' compensation insurance based upon actual payroll classified into rate categories pursuant to the rules published by the California Workers' Compensation Insurance Rating Bureau. The ACWA-JPIA agrees to pay all amounts legally required by California workers compensation laws. The ACWA-JPIA is self-sustaining through member premiums, and in the event of significant claims might have to increase deposit requirements from its members. The District would be required to pay these amounts prior to terminating participation in ACWA-JPIA.

During fiscal 2013, the District did not significantly reduce its insurance coverage from the prior year. Furthermore, settlements have not exceeded insurance coverage for the past four fiscal years.

**Tahoe City Public Utility District  
Notes to Basic Financial Statements  
For the year ended December 31, 2013**

**13. CONTINGENCIES AND LITIGATION**

From time to time, the District is involved in litigation, claims and assessments incidental to its operations. Further, the District may be advised of unasserted possible claims and assessments that may be probable of assertion. As a general policy, the District defends matters in which it is a named defendant and, for insurable losses, maintains insurance to protect against adverse judgments, claims or assessments. In the opinion of the District, although the adequacy of existing insurance coverage or the outcome of legal proceedings cannot be predicted with certainty, the ultimate liability associated with any claims or litigation in which the District is currently involved will not materially affect the District's financial condition.

**14. COMMITMENTS**

The District has entered into contracts for construction with remaining commitments of approximately \$85,846 at December 31, 2013.

**15. RELATED PARTY TRANSACTIONS**

The District has procured engineering services from firms in and around the Lake Tahoe area for many years. Auerbach Engineering Corporation and predecessor firms have bid frequently and provided services to the District for the past 29 years. During fiscal year 2008, the District's General Manager married the owner of Auerbach Engineering Corporation (AEC). To prevent any conflict of interest, the Board of Directors developed certain procedures. The General Manager would not engage in the selection process of contract awards that involve AEC. The Board also created an Engineering Consultant Selection Committee consisting of Directors and staff, to evaluate engineering consultants with the final selection to be made by the Board. The District presented these procedures to the California Attorney General's Office and has received a letter stating if these procedures are followed no applicable laws will be violated.

For fiscal year 2013 the District has contracted with Auerbach Engineering Corporation for the following projects and provided payments in the amounts as follows:

Project Name	Amount
Four Seasons Tank and Woodhill - Woodview Waterline Imp.	\$ 72,149
Woodhill - Woodview Water Main Connection	9,549
Lake Forest Water System Replacement (Phase II)	24,178
Lake Forest Water System Replacement Const. (Phase I)	418
Lake Forest Water System Replacement (Phase II)	68,156
Lake Forest Water System Replacement (Phase III)	15,136
Old Dollar Point Pump Station / PRV Modifications	7,004
Chamberlands Waterline	426
Grouse Drive & Upper Ellis Road Waterline	42,457
Administrative Property BMP's	315
Lakeside Trail Phase 5 Construction	4,062
Lakeside Trail Phase 6	4,062
Lakeside Trail / Station 51 Wetlands Construction	2,700
Lake Forest Boat Ramp Rehab	60,665
Truckee River Trail Overlay	27,363
Tahoe City Golf Course Exhibits	2,500
	<u>\$ 341,140</u>

**Tahoe City Public Utility District  
Notes to Basic Financial Statements  
For the year ended December 31, 2013**

**16. PRIOR PERIOD ADJUSTMENTS**

The District determined that utility inventory has reached a material level. As of December 31, 2013, the inventory balance on hand was \$168,013. Both the fund financial statements and government-wide financial statements reflect an adjustment to fund balance and net position, respectively, for the beginning balance of inventory. On an ongoing basis, the inventory balance will be adjusted at the end of each fiscal year with an adjustment to utilities expenditures in the fund financial statements.

<u>Fund</u>	<u>Description of Restatement</u>	<u>Amount</u>
Proprietary Fund	Increase fund balance for inventory balance on 12/31/2012	<u>\$ 80,072</u>
	Total Proprietary Fund Balance Restatement	<u><u>\$ 80,072</u></u>
Government Wide	Increase net position for inventory balance on 12/31/2012	<u>\$ 80,072</u>
	Total Government Wide Restatement	<u><u>\$ 80,072</u></u>

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**REQUIRED  
SUPPLEMENTARY INFORMATION**

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**Tahoe City Public Utility District  
Required Supplementary Information, Continued  
For the year ended December 31, 2013**

**BUDGETS AND BUDGETARY ACCOUNTING**

The District follows these procedures in establishing the budgetary data reflected in the basic financial statements:

1. The District Manager submits to the Board of Directors a proposed budget for the fiscal year beginning January 1. The budget includes proposed expenditures and the means of financing them.
2. The Board of Directors reviews the proposed budget at specially scheduled meetings which are open to the public. The Board of Directors also conducts a public hearing on the proposed budget to obtain comments from interested citizens.
3. Prior to January 1, the budget is legally adopted through a passage of a motion.
4. Actual revenues and expenditures are compared to budgeted amounts monthly as a management control device for all budgeted funds. The District monitors capital expenditures by comparison with specific project appropriation accounts. Expenditures cannot legally exceed appropriations by department.
5. The budgets are prepared on a basis consistent with Generally Accepted Accounting Principles and the accounting for each fund.

**Tahoe City Public Utility District  
Required Supplementary Information, Continued  
For the year ended December 31, 2013**

**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**

**Tahoe City Public Utility District  
Required Supplementary Information  
For the year ended December 31, 2013**

**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**

	Budget Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Fees	\$ 503,910	\$ 503,910	\$ 505,974	\$ 2,064
Property taxes	4,220,189	4,220,189	4,631,006	410,817
Interest	5,000	5,000	(2,487)	(7,487)
Grants	941,461	941,461	551,250	(390,211)
Other	64,800	64,800	170,212	105,412
<b>Total revenues</b>	<b>5,735,360</b>	<b>5,735,360</b>	<b>5,855,955</b>	<b>120,595</b>
<b>EXPENDITURES:</b>				
Current:				
Public works - Parks	2,087,305	2,087,305	2,017,398	69,907
Recreation	650,350	650,350	624,534	25,816
Other operating	200,805	200,805	201,516	(711)
Capital outlay	1,234,371	1,234,371	545,633	688,738
<b>Total expenditures</b>	<b>4,172,831</b>	<b>4,172,831</b>	<b>3,389,081</b>	<b>783,750</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>1,562,529</b>	<b>1,562,529</b>	<b>2,466,874</b>	<b>904,345</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from sales of asset	6,000	6,000	300	(5,700)
Transfers out to other funds	(2,000,000)	(2,000,000)	-	2,000,000
<b>Total other financing sources (uses)</b>	<b>(1,994,000)</b>	<b>(1,994,000)</b>	<b>300</b>	<b>1,994,300</b>
<b>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<b>\$ (431,471)</b>	<b>\$ (431,471)</b>	<b>2,467,174</b>	<b>\$ 2,898,645</b>
<b>FUND BALANCES:</b>				
Beginning of year			2,320,072	
End of year			<b>\$ 4,787,246</b>	



**Tahoe City Public Utility District  
Required Supplementary Information, Continued  
For the year ended December 31, 2013**

**RETIREE HEALTH PLAN (OPEB) - SCHEDULE OF FUNDING PROGRESS**

The Schedule of Funding Progress for the Retiree Health Plan is presented below. The District adopted and implemented GASB 45 on January 1, 2009. Five years of valuations are presented.

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) - Entry Age Normal (B)	Unfunded (Overfunded) AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
12/31/2009	\$ 407,672	\$ 2,205,084	\$ 1,797,412	18.5%	\$ 3,103,064	57.9%
12/31/2010	560,694	2,323,483	1,762,789	24.1%	3,203,913	55.0%
12/31/2011	647,508	2,405,829	1,758,321	26.9%	3,295,547	53.4%
12/31/2012	827,949	2,612,347	1,784,398	31.7%	3,105,115	57.5%
12/31/2013	1,030,005	2,862,635	1,832,630	36.0%	3,246,179	56.5%