

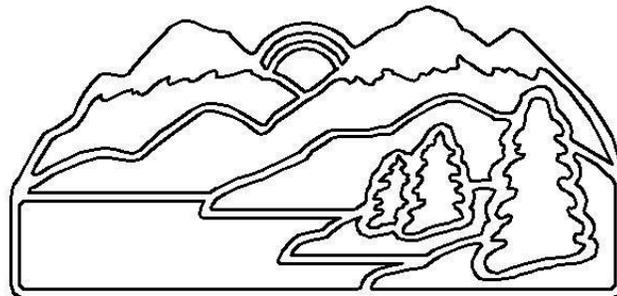
**Tahoe City
Public Utility District**

Tahoe City, California

**Annual Financial Report
For the Year Ended
December 31, 2014
With
Independent Auditor's Report**

Prepared by the Accounting Department

This page is intentionally blank.



Mission Statement

*The Mission of the Tahoe City Public Utility District
is to serve the people, our community, and its environment.*

It is our responsibility to provide safe and reliable water service, sewer service for the protection of public health, and parks and recreation services to enhance quality of life. It is our commitment to accomplish these and other tasks within the scope of the Public Utility District Act, as amended, in a sound fiscal manner.

Tahoe City Public Utility District Board of Directors



From left to right: Judy Friedman, Ron Treabess, Dan Wilkins, Erik Henrikson, John Pang

Strategic Planning

Below are the over-arching values and standards that guide our approach to all services and activities in the District.



Cindy Gustafson, General Manager

- **Financial Integrity and Stability**
TCPUD establishes and adheres to sound and prudent financial policies, striving for maximum efficiency in the delivery of all services, and seeking partnerships and grant funding wherever appropriate.
- **Public Health and Environmental Protection**
TCPUD practices responsible environmental protection, ensures the public's health and safety, and minimizes risks in all activities and operations.
- **Customer Service**
TCPUD strives to continually improve customer confidence, satisfaction, and communication in operational areas.
- **Workforce Stability and Training**
TCPUD develops and maintains an appropriate staffing level of educated and qualified employees, dedicated to protecting the health, well-being and resources of the public.
- **Community Leadership and Collaboration**
TCPUD facilitates leadership by establishing partnerships, collaborating with other agencies, and advocating proper planning and economic reinvestment, for the benefit of the community.

Table of Contents

INTRODUCTORY SECTION

Letter of Transmittal	1
TCPUD Wide Organizational Chart	4
List of Elected and Appointed Officials.....	4

FINANCIAL SECTION

Independent Auditor’s Report.....	5
Management Discussion and Analysis.....	7
Basic Financial Statements.....	24
Statement of Net Position	25
Statement of Activities	26
Balance Sheet – Governmental Funds.....	27
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position of Governmental Activities	28
Statement of Revenues, Expenditures and Changes in Fund Balances	29
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.....	30
Statement of Net Position – Proprietary Fund.....	31
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund	32
Statement of Cash Flows – Proprietary	33
Notes to the Basic Financial Statements	34
Required Supplementary Information.....	62
Budgets and Budgetary Accounting	63
Budgetary Comparison Schedule – General Fund.....	64
Retiree Health Plan (OPEB) – Schedule of Funding Progress.....	65

STATISTICAL SECTION

Net Position by Component	67
Change in Net Position	68
Fund Balances of Governmental Funds.....	69
User Statistics, Last Ten Fiscal Years.....	70
Water and Sewer Rates.....	71
Parks and Recreation User Fees and Grants	72

INTRODUCTORY SECTION

Letter of Transmittal

To the Board of Directors of Tahoe City Public Utility District and to our Tax and Rate Payers:

The Tahoe City Public Utility District staff submit to you the Annual Financial Report for the year ended December 31, 2014. The Annual Financial Report gives an assessment of TCPUD's financial conditions, informs readers about District services, gives details of infrastructure replacement projects, discusses current issues, and outlines financial trends.

State law requires local governments publish, within six months of the close of each fiscal year, a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended December 31, 2014.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control it has established for this purpose. As the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Mann, Urrutia, Nelson, Certified Public Accountants & Associates, LLP, has issued an unmodified ("clean") opinion on the Tahoe City Public Utility District's financial statements for the year ended December 31, 2014. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the Tahoe City Public Utility District

The 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; water production and distribution services; and parks, facilities and recreation services for the entire area of the TCPUD.

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

Water customers - 4,173

Sewer customers - 7,636

Parks and Recreation customers - over 500,000

TCPUD operates and maintains 22 miles of bike trails, parks, beaches, 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.

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 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 require more community outreach or focused study. Under the direction of General Manager, Cindy Gustafson, 42 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.

Local Economy

Located on the north shore of Lake Tahoe, California in Placer County, TCPUD's economy is largely dependent on tourism, centered on summer and winter recreational activities. As you drive along the lake shore at the north end of Lake Tahoe, you pass through the Lake's most diverse variety of restaurants, ski slopes, casinos, shops and housing. Lake Tahoe is known as one of the most beautiful regions in the world and, as the second largest alpine lake in North America, it offers an alpine environment unrivaled anywhere else. The pristine beauty of Lake Tahoe draws over three and one-half million visitors annually from around the world. From snow skiing to golfing to boating to gaming, Lake Tahoe is one of the premier resort destinations, offering visitors countless activities. Due to its location, the region's economy is closely tied to the California/San Francisco Bay Area economy

The drought and lack of snow has had an impact on our local economy. Numerous ski resorts closed early, causing significant employee layoffs totaling more than 4,000 seasonal employees. Over the last few years we've seen more local stores closing. Although transient occupancy numbers were essentially flat for the fiscal year 2013/14 season, overall tourism expenditures were estimated to be down again. Though the lack

of water means rafting on the Truckee River is non-existent, other summer activities remain strong.

Looking Forward

In 2015 TCPUD will continue efforts toward accountability and transparency while keeping TCPUD's strategic statements of Financial Integrity and Stability; Public Health and Environmental Protection; Customer Service; Workforce Stability and Training; and Community Leadership and Collaboration at the forefront. The successful adoption of 2015-2019 water and sewer rates through a Proposition 218 rate process will allow critical water and sewer infrastructure improvements to move forward by funding TCPUD's five-year capital plan with \$38,347,630. TCPUD is also actively pursuing grant funding and considering other financing activities for water and sewer capital.

California is facing one of the most severe droughts on record and TCPUD is actively encouraging its customers to conserve water through several programs and conversation measures. In 2015 TCPUD is strengthening outreach and water conservation programs in tandem with implementing mandatory restrictions on water use. TCPUD is taking an aggressive approach as the State of California tightens water use and increases drought restrictions. TCPUD will continue its commitment to providing extraordinary customer service by obtaining the Transparency Certificate of Excellence from the Special District Leadership Foundation. This certificate mandates implementation of the "best practices" in local government. By achieving this goal, TCPUD will send a clear message that we are continuing our commitment to engaging the public and creating greater awareness of TCPUD's activities and our obligation to remaining open and accessible.

TCPUD will continue its community involvement by engaging in dialogue and collaboration with our community, local agencies, Placer County, and the state. We remained involved in community projects such as Fanny Bridge and the Tahoe Basin Area Plan.

Acknowledgements

The preparation of this report would not have been possible without the skill, effort, and dedication of the entire staff of the Accounting Department. We wish to thank all TCPUD departments for their assistance in providing the data necessary to prepare this report. Credit also is due to the Board of Directors for their unfailing support for maintaining the highest standards of professionalism in the management of the Tahoe City Public Utility District's finances.

Respectfully submitted,

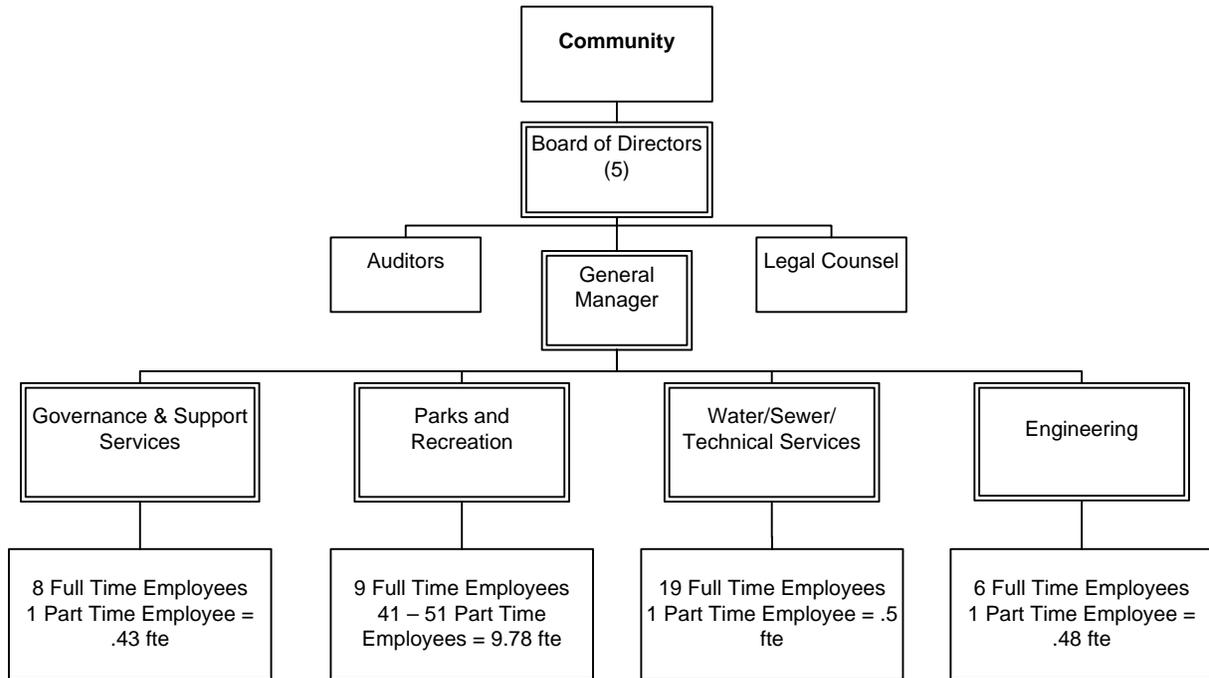


Cindy Gustafson
General Manager



Ramona Cruz
Chief Financial Officer/Treasurer

TCPUD Wide Organizational Chart



List of Elected and Appointed Officials

Elected Officials

Board President	Erik Henrikson	Term 2012-2016
Vice President	Ron Treabess	Term 2012-2016
Board of Director	Judy Friedman	Term 2012-2016
Board of Director	John Pang	Term 2014-2018
Board of Director	Dan Wilkins	Term 2014-2018

Appointed Officials

General Manager	Cindy Gustafson
Treasurer/ Accountant	Ramona Cruz
District Clerk	Terri Viehmann

FINANCIAL SECTION

Independent Auditor's Report



MANN • URRUTIA • NELSON CPAs & ASSOCIATES, LLP
GLENDALE • ROSEVILLE • SACRAMENTO • SOUTH LAKE TAHOE • KAUAI, HAWAII

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, 2014, 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 District, as of December 31, 2014, 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 1, 2015, 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.

Sacramento, California
June 1, 2015

Management Discussion and Analysis

As TCPUD management, 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, 2014. 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 \$77,237,795 at the close of the most recent fiscal year. Of this amount; \$21,856,129 represents unrestricted net position, which may be used for the TCPUD's ongoing obligations.
- TCPUD has designated for the Proprietary Fund:
 - \$3,400,000 for long-term capital replacement,
 - \$378,740 for rolling stock replacement,
 - \$1,478,220 for budget stabilization, and
 - \$1,562,653 for property tax reserve
- TCPUD has assigned for General Fund:
 - \$684,162 for long-term capital replacement, and
 - \$86,800 for rolling stock replacement
- General Fund unassigned fund balance of \$6,552,781 is adequate to cover the \$731,535 General Fund budget stabilization amount.
- The TCPUD's net position increased by \$4,882,715 due to investment in capital, grants received results of water and sewer operations, and unrestricted property tax.
- At the end of 2014 the TCPUD's governmental fund balance reported \$4,787,535 and an increase of \$2,630,400 in comparison with the prior year.
- Approximately 85% of the governmental fund balance is available for spending at the discretion of the TCPUD Board.
- The TCPUD's total outstanding long-term debt decreased by \$679,424. All scheduled debt payments were made on time.
- The TCPUD has a total balance of \$1,164,220 in the California Employers' Retiree Benefit Trust (CERBT) at December 31, 2014 available to fund post-employment benefits.

Operational Highlights:

- The TCPUD spent \$2.5 million on water and sewer capital assets and \$1.4 million in capital outlay for Parks and Recreation.
- Combined operating revenue slightly exceeded budget by \$21,370.
- During 2014 the TCPUD received approximately \$1.2 million in capital grants; of which \$758k were Federal grants to improve the Wildlife Conservation Board (WCB) Lake Forest Boat Ramp.
- Operating expenses were better to budget by \$640,645 after being adjusted for special consulting fees not expended. The cost savings are in the areas of

Management Discussion and Analysis, Continued

personnel, snow removal, repairs and maintenance of TCPUD equipment and facilities, legal fees, and travel and training.

- TCPUD is working closely with the California Department of Transportation and has entered into the design and planning phase of the Homewood Bike Trail. This significant project is estimated to cost \$1.61 million and will take several years to complete. It is anticipated construction will begin in 2016.
- 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.
- Completion of an updated 2014 Water and Sewer Rate Study leading to the successful adoption of 2015 rates through the Proposition 218 process.
- Successful completion of the Class and Compensation Study which set salary ranges at the 75th percentile of market.
- Successfully negotiated a five-year agreement with the International Union of Operating Engineers, Stationary Engineers, Local 39.
- Completion of Grouse Drive and Upper Ellis Road water line replacement for \$924,623.
- Substantial planning and design work on the West Lake Tahoe Regional Water Treatment Plan (WLTRWTP) took place. This project has an estimated cost of \$9.4 million and will take several seasons to build. The WLTRWTP scheduled completion date is 2017.
- TCPUD continues to encourage all customers to rethink the way they use water on a daily basis and take action to conserve.

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. Following is an explanation of each of the statements and the information they report.

The discussion and analysis provided here is 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.

Management Discussion and Analysis, Continued

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 or 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, compliance services and engineering.

The government-wide financial statements can be found on pages 25 and 26 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*.

Management Discussion and Analysis, Continued

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 27-30 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, compliance services, and engineering departments.

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

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 benefits and Other Post-Employment Benefits (OPEB) to its employees. Required supplementary information can be found on page 63 of this report.

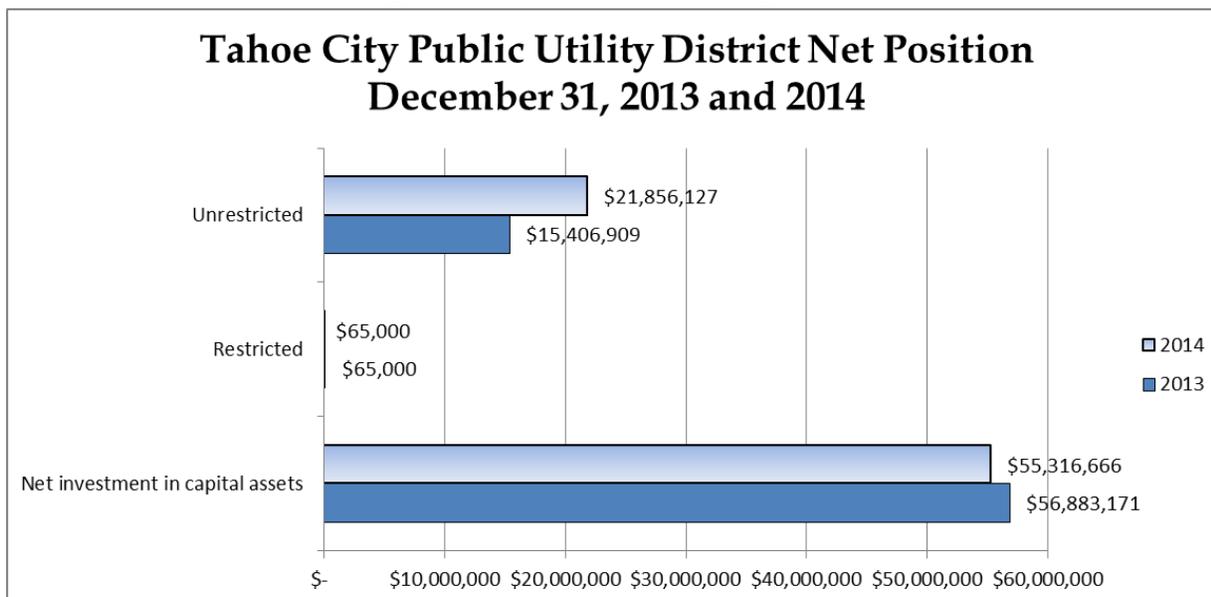
Government-wide Overall Financial Analysis

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 \$77,237,795 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 when assessing the overall financial health of the TCPUD.

Management Discussion and Analysis, Continued

	Governmental		Business-type		Total	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
Assets:						
Cash and investments	\$ 5,757,365	\$ 3,811,117	\$ 11,141,126	\$ 8,047,067	\$ 16,898,491	\$ 11,858,184
Cash and investments - restricted	23,036	19,538	-	-	23,036	19,538
Receivables	2,328,287	1,725,854	726,393	2,564,237	3,054,680	4,290,091
Other current assets	93,903	458,557	364,654	300,739	458,557	759,296
Total current assets	8,202,591	6,015,066	12,232,173	10,912,043	20,434,764	16,927,109
Investments - restricted	-	-	65,000	65,000	65,000	65,000
Facility upgrade receivables	-	-	52,475	16,822	52,475	16,822
Other postemployment benefits, net	-	-	312,562	315,073	312,562	315,073
Net Pension Asset			1,477,278	1,731,683	1,477,278	1,731,683
Net capital assets	28,185,564	28,409,795	32,557,907	31,603,904	60,743,471	60,013,699
Total assets	36,388,155	34,424,861	46,697,395	44,644,525	83,085,550	79,069,386
Liabilities:						
Payables and accruals	649,796	801,994	947,026	553,110	1,596,822	1,355,104
Unearned revenue	59,921	30,696	97,932	164,952	157,853	195,648
Long-term debt - current	625,403	676,734	39,579	38,836	664,982	715,570
Total current liabilities	1,335,120	1,509,424	1,084,537	756,898	2,419,657	2,266,322
Long-term debt - noncurrent	3,213,568	3,802,085	214,530	254,849	3,428,098	4,056,934
Total liabilities	4,548,688	5,311,509	1,299,067	1,011,747	5,847,755	6,323,256
Net position:						
Net Investment in capital assets	23,012,867	25,572,951	32,303,799	31,310,220	55,316,666	56,883,171
Restricted	-	-	65,000	65,000	65,000	65,000
Unrestricted	8,826,600	3,149,351	13,029,529	12,257,558	21,856,129	15,406,909
Total net position	\$ 31,839,467	\$ 28,722,302	\$ 45,398,328	\$ 43,632,778	\$ 77,237,795	\$ 72,355,080

By far, the largest portion of the TCPUD's net position (71.6%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt 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.



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 2014 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 \$3,117,165 from the prior fiscal year for an ending balance of \$31,839,467. This increase is a result of additional capital contributions for purchased assets and property tax revenue. Charges and Services for governmental activities decreased \$49,395. Property tax increased \$144,177 and Capital Grants increased \$711,087. Changes in capital grants bears a direct relation to reimbursable capital expenditures.

Business-type Activities. Business-type activities reflect private sector-type operations, such as water and sewer services and the related engineering and compliance departments. User fees are typically charged to cover all or most of the costs of

Management Discussion and Analysis, Continued

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 2014 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 \$45,398,328. The total increase in net position for business-type activities (water and sewer) was \$1,765,550. Also impacting the increase are measured rate increases for water and sewer rates to sustain operations and fund current and future capital expenditures.

Charges for services increased slightly to last year's actual by \$8,323. Weather contributed to the slight increase in charges for services and, with drought restrictions, consumption revenue is down. Capital grants and contributions decreased \$1,370,527 which bears a direct relation to reduced capital expenditures.

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Expenses:						
Direct expenses	\$ 4,416,756	\$ 4,348,456	\$ 5,790,525	\$ 5,580,087	\$ 10,207,281	\$ 9,928,543
Indirect expenses	163,378	201,516	1,182,049	1,116,164	1,345,427	1,317,680
Total expenses	4,580,134	4,549,972	6,972,574	6,696,251	11,552,708	11,246,223
Program Revenues:						
Charges for services	628,803	678,198	8,408,012	8,399,689	9,036,815	9,077,887
Operating grants and contributions	334,610	305,861	-	-	334,610	305,861
Capital grants and contributions	968,622	257,535	202,026	1,572,553	1,170,648	1,830,088
Total program revenues	1,932,035	1,241,594	8,610,038	9,972,242	10,542,073	11,213,836
Net revenue (expense)	(2,648,099)	(3,308,378)	1,637,464	3,275,991	(1,010,635)	(32,387)
General Revenues:						
Property taxes	5,713,528	5,569,351	23,287	23,287	5,736,815	5,592,638
Investment earnings	51,736	(1,790)	104,797	104,964	156,533	103,174
Total general revenues □	5,765,264	5,567,561	128,084	128,251	5,893,348	5,695,812
Change in net position	\$ 3,117,165	\$ 2,259,183	\$ 1,765,548	\$ 3,404,242	\$ 4,882,713	\$ 5,663,425

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 measurement 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.

Management Discussion and Analysis, Continued

At December 31, 2014, the TCPUD's governmental funds reported combined fund balances of \$7,417,935, an increase of \$2,630,400 in comparison with the prior year. Approximately 83% 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 (\$65,553) and, 2) assigned for particular purposes (\$770,962). The general fund is the chief operating fund of the TCPUD.

General Fund Budgetary Highlights

Parks and Recreation fees and other revenue were under budget by \$28,627 which is largely due to facility rentals. Property tax collection exceeded budget by \$367,267; of which approximately \$96K is attributable to RDA Pass-Through. Grant revenue was less than budget by \$2,116,971 which bears a direct relation to reimbursable capital expenditures. Overall, Public Works - Parks direct expenses were \$200,507 below budget due to reduced spending for consulting fees, repairs and maintenance, lower utilities, and administration costs. Recreation direct expenses were \$561 more than budget.

Capital Assets and Debt Administration

Capital assets. The TCPUD investment in capital assets for its governmental and business-type activities as of December 31, 2014 amounts to \$62,650,786 (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 3.1%.

	Governmental		Business-type		Total	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
Land	\$ 5,251,592	\$ 5,251,592	\$ -	\$ -	\$ 5,251,592	\$ 5,251,592
Intangible License	150,000	150,000	-	-	150,000	150,000
Facilities	37,068,649	36,743,205	65,042,348	65,036,352	102,110,997	101,779,557
Office building and equipment	4,419,646	4,410,912	7,685,710	6,102,209	12,105,356	10,513,121
Construction in progress	1,697,980	714,970	2,069,706	1,265,127	3,767,686	1,980,097
Total current assets	\$ 48,587,867	\$ 47,270,679	\$ 74,797,764	\$ 72,403,688	\$ 123,385,631	\$ 119,674,367

In 2014, the TCPUD spent \$3,878,228 million on capital items for the benefit of the community. Some of the significant projects were the Grouse Drive and Upper Ellis water line replacements (WLR), various erosion control projects, Highway 89 Conductor Casing Crossings, West Lake Tahoe Regional Water Treatment Plant, and the WCB Lake Forest Boat Ramp Rehabilitation project which received \$758K in grant funds.

Management Discussion and Analysis, Continued

The following table presents the TCPUD's more significant capital additions during 2013 and 2014.

	<u>Additions to Capital Assets</u>	
	2013	2014
Governmental Activities		
Administration Phone System	\$ 30,079	
Administration Office Remodel	-	57,683
Commons Beach Sand Replacement	-	6,110
Dog Park Improvements	-	16,656
Erosion control projects	10,124	183,393
Homewood Bike Trail	111,394	46,054
HVAC and improvements	102,644	
Kilner Park Tennis Court Replacement	-	30,892
Lake Forest Boat Ramp Rehab	95,022	808,650
Lakeside Trail through Tahoe City	17,885	
Playground equipment	23,534	
Rideout gym floor and kitchen	54,369	7,890
Tahoe City Golf Improvements	46,974	77,137
Truckee River Access	10,122	41,355
Truckee River Bike Trail Overlay	31,339	15,041
Vehicles and Equipment	12,147	73,896
Other projects	-	42,831
Total governmental activities	<u>545,633</u>	<u>1,407,588</u>
Business-type Activities		
Bunker Water Tank Replacement	-	108,006
Dollar II Sewer Line Replacement	109,646	90,603
Dollar/Edgewater Sewer Line Replacement	-	46,378
Grouse Dr & Upper Ellis WLR	-	924,623
Highway 89 Conductor Casing Crossings	-	231,751
Lake Forest water acquisition & improvements	854,037	5,990
McKinney Estates interconnection	189,775	
Old Dollar Pt Pump Station/PRV Mod	22,462	1,139
Pump Upgrades	157,684	143,058
Rocky Ridge Tank Recoating	9,843	
Sunnyside Pump and Control upgrade	59,617	
Tahoe City Well #1 (Bunker) Replacement	-	58,197
Tahoe City Main Emergency Water Supply	-	57,300
Tahoe City Residential Sewer System Rehabilitation	-	93,416
Tahoma Meadows Mutual Water Company	545,529	30,487
West Lake Tahoe Regional Water Treatment Plant	-	266,292
West Shore Export Crossing Repair	-	108,878
Woodview to 4 Seasons Tank Line & Water Main	551,241	5,182
Vehicles & mobile equipment	152,912	123,194
Other projects	219,016	176,146
Total business-type activities	<u>2,871,762</u>	<u>2,470,640</u>
Total TCPUD	<u>\$3,417,395</u>	<u>\$3,878,228</u>

Management Discussion and Analysis, Continued

During the four years prior to 2005, TCPUD-funded capital was limited due to the large debt service payments required by the 1993 COP issuance. 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 when it did not have its own funding to advance these projects. 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 WCB Lake Forest Boat Ramp, the Truckee River Outlet Park Plaza, Heritage Plaza, and acquisition of a new mobile stage. Other projects such as the Homewood Bike Trail, to address one mile of unsafe bike route, is in the planning and design phase and is set to begin the construction phase the middle of 2016. The TCPUD has secured a large portion of grant money 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, acquired and improved the Tahoma Meadows Mutual Water Company, and 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 address water and sewer rates and their adequacy to fund critical capital into the future.

At December 31, 2014 the TCPUD utilized \$48,587,866 of gross depreciable capital assets at historical cost, consisting primarily of recreational facilities, in its Governmental Activities, and \$72,728,058 of gross depreciable capital assets at historical cost, consisting primarily of water and sewer plants, in its Business-type Activities. TCPUD's long-term capital replacement designations were increased to \$684,162 in the General Fund and \$6,819,613 in the Proprietary Fund to eventually be used for replacements and rehabilitations. The TCPUD anticipates that capital grants, especially for water projects due to the drought, may be available in the future for a portion of these replacement and rehabilitation needs. However; the TCPUD anticipates 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 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 comprehensive 2014 water and sewer rate study and adjusted rates as described below.

HDR Engineering, Inc. (HDR) was retained by the TCPUD to perform a water and sewer rate study update, based on the study completed by HDR in 2009. The previous study developed metered water rates on a limited amount of metered consumption data, as well as the development of sewer rates, both for a five-year period as provided for under Proposition 218. Another key component of the prior rate study was the movement away

Management Discussion and Analysis, Continued

from funding annual operating expenses with property tax revenues. Since the completion of the 2009 study there have been changes to the TCPUD's customers and costs that resulted in the need to update the rate analysis. For example, in the previous study, residential customers had just begun to transition from un-metered to metered rates which resulted in limited amounts of consumption data. For the 2014 study, all of the residential and commercial customers were metered and, subsequently, there was ample historical consumption data to analyze. With this, assumptions were made regarding characteristics and typical use of each customer and the customer classes in total. A key driver in the update was the capital improvement plan (CIP) for the next five-year period for both the water and sewer utilities. In addition, while TCPUD did adopt the full level of rate adjustments in the 2009 rate study as provided under the Proposition 218 process, they were never fully implemented. The currently implemented rates are 21.1% lower for water and 24.1% lower for sewer.

The development of the 2014 water and sewer study examines the adequacy of the current water and sewer rates, provides the basis for adjustments to rates, and seeks to adequately and equitably fund the operating and capital needs of the District.

On November 21, 2014, a Public Hearing was held and protests were received from 0.36% of water customers and 0.27% of sewer customers versus the Proposition 218 threshold of 50% +1. New 2015-2019 maximum rates were set for the next five years effective January 1, 2015.

The rates will increase over a five year period to fund capital projects, increase reserves, and fund normal increases in water and sewer operations and maintenance expenses. Most residential sewer customers will see their monthly rates increase from the 2014 \$36.34 rate to a maximum of \$47.93 during the five year period (2015-2019). It should be noted that the 2019 sewer rate of \$47.93 is the maximum sewer rate in the 2009 rate study. This maximum sewer rate persisting is the result of TCPUD not undergoing all sewer capital projects as originally planned. Most residential water customers will see their monthly base rate increase from the 2014 \$55.00 base water rate to a maximum of \$89.50 during the five year period (2015-2019) with a conservation-oriented residential four tiered increasing block rate structure which reflects TCPUD's rate design goals of conservation.

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 2015-2019 capital budget includes \$47.3 million in its five year capital plan of which \$8.9 million in capital grants are identified. The capital plan calls for \$22.2 million for water, \$12.9 million for sewer, \$9.7 million for Parks, \$1.8 million for vehicles, \$633k for Governance and Support Services. The new water and sewer rate structure, grant funding, and some level of capital financing make this level of capital improvements possible.

Management Discussion and Analysis, Continued

Long-term Debt. At the end of the current fiscal year, the TCPUD had total bonded debt outstanding of \$4,093,080. Of this amount, \$2,406,555 is debt backed by the full faith and credit of the government and \$316,675 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 obligation comprises pension-related debt in the amount of \$1,369,850.

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
General obligation bonds	\$2,406,555	\$2,761,765	\$ -	\$ -	\$2,406,555	\$2,761,765
Special assessment bonds with governmental commitments	62,566	75,079	\$254,109	\$293,685	316,675	368,764
Pension related debt	1,369,850	1,641,975	-	-	1,369,850	1,641,975
Total long-term debt	\$3,838,971	\$4,478,819	\$254,109	\$293,685	\$4,093,080	\$4,772,504

The TCPUD has been approached by the customers or owners of several private water companies seeking acquisition. 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 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. Beginning with the California Public Employees' Retirement System (CalPERS) June 30, 2013 annual valuation report, the pool's unfunded liability is allocated to each individual plan based on the plan's total liability rather than by the plan's individual payroll. This allows tracking of each employer's own unfunded liability and allows for faster pay down if desired. The following table shows the funded ratio for the TCPUD.

Management Discussion and Analysis, Continued

<u>CalPERS Plan's Funded Status</u>	<u>June 30¹</u>	
	<u>2012</u>	<u>2013</u>
Present Value of Projected Benefits	\$ 33,011,036	\$ 34,835,001
Entry Age Normal Accrued Liability	28,583,174	30,181,346
Plan's Market Value of Assets	20,717,903	23,104,538
Unfunded Liability	7,865,271	7,076,808
Funded Ratio	72.5%	76.6%

¹ *CalPERS Annual Valuation Report as of June 30, 2013*

The TCPUD has negotiated for employees to contribute to their required pension contributions and, beginning January 1, 2015, employees will pay the full 8%. 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.

Economic Factors and the 2015 Budget

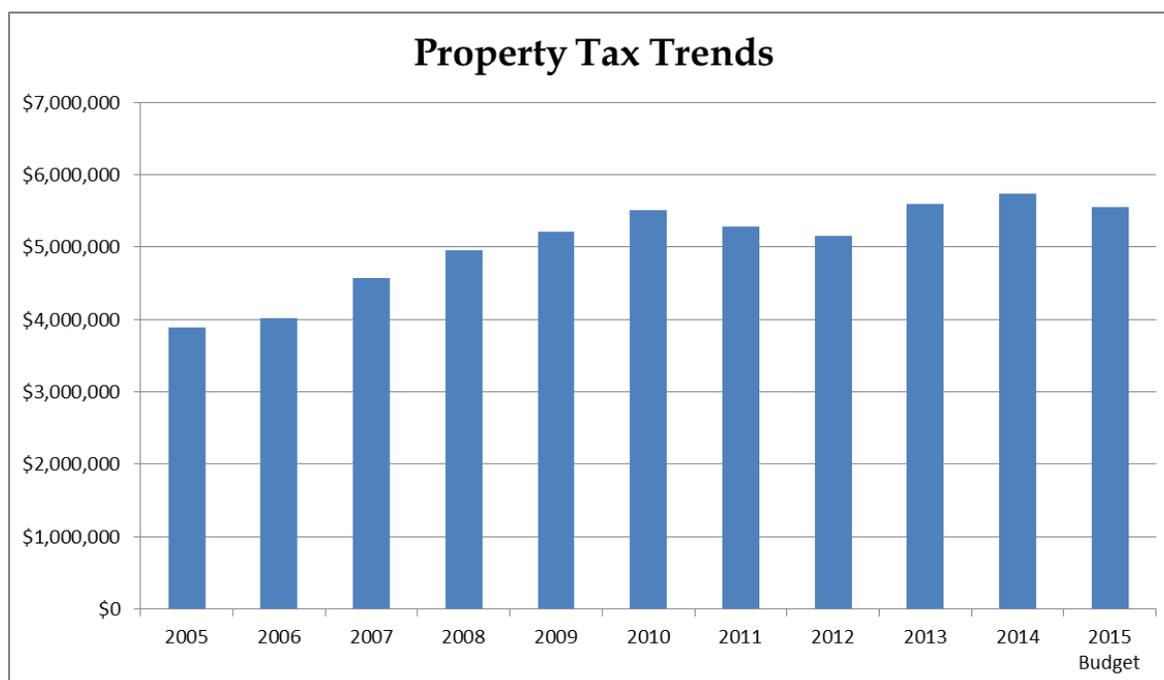
California is facing one of the most severe droughts on record and, early in 2014, Governor Brown proclaimed a State of Emergency asking all Californians to reduce water consumption by 20%. Local water suppliers like TCPUD were directed to immediately implement local water shortage contingency plans. TCPUD responded and enacted Ordinance 264 Water Conservation and Drought Response Stage 2 on July 25, 2015 at a Special Meeting of the Board of Directors. With a warm summer and lack of snow pack the drought continues to worsen with snow measuring at its lowest level on record. Increased enforcement to prevent wasteful water use will continue. In 2015 Governor Brown announced legislation to help local communities cope with the ongoing, devastating drought. The \$1 billion package will expedite bond funding to make the state more resilient to the disastrous effects of climate change and help ensure that all Californians have access to local water supplies. TCPUD is working closely with all agencies to understand the availability and criteria to access the funds for water infrastructure. TCPUD will be requesting that our water customers continue to conserve water. As a result of the drought in 2015 TCPUD expects to realize less consumption revenue, however; consumption represents only 24.9% of the water revenue budget so the impacts won't be as dramatic. 75.1% of the water revenue is from the base rate and other smaller sources of revenue.

TCPUD relies on this rate model due to its widely fluctuating population. Other areas of the state with stable year-round populations can depend upon collecting more of their fixed costs through their consumption rates, as customer usage characteristics are more uniform and predictable. Within TCPUD, over 80% of our homes are not occupied year-round. However, we must be staffed and able to provide water service to our customers whenever they arrive. In addition, we must operate our water system to provide full fire protection whether a residence is occupied or not. In areas such as Tahoe, widely fluctuating occupancies can leave a water system unable to support itself if too much of the revenue is dependent on the consumption rate.

Management Discussion and Analysis, Continued

During 2014, TCPUD entered into union negotiations and successfully negotiated a five-year agreement. As part of the negotiations the TCPUD performed a class and compensation study and through negotiations reset the salary ranges at 75% of market. Other results of the negotiations included establishing a new cost of living index, eliminating the employer paid member contribution, capping general leave accruals, reducing sick-leave conversion to deferred compensation, reducing post retiree medical to the CalPERS minimum required payment, and implementing employee cost sharing of pension cost.

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%, however; when real estate is sold, it is assessed for the new owner based on the purchase price. The 2015 budget projects an increase of 2.6% to 2014 budget, however; the 2015 budget property tax is lower than 2014 actual. The TCPUD takes a conservative approach to budgeting property tax. The following Property Tax Trends bar graph show the last 10 years of actual property tax and the 2015 budget. The slight rise in the 2014 actuals is a result of unbudgeted pass-through related to the dissolution of the Resource Development Agencies.



The TCPUD's 2015 budget was adopted by the Board of Directors on November 21, 2014 by Resolution 14-20.

The 2015 TCPUD budgeted revenues are increasing 5.9% over the 2014 budget largely due to the water and sewer rate increases as a result of the updated 2014 water and sewer rate study performed by HDR. The development of the 2014 water and sewer rate study

Management Discussion and Analysis, Continued

examined the adequacy of the current water and sewer rates, provided the basis for adjustments to rates, and sought to adequately and equitably fund the operating and capital needs of the District.

On July 1, 2014, HDR provided the Board with preliminary results of the 2014 water and sewer rate study and, at the July 18, 2015 Board Meeting, the Board approved the Proposition 218 Process. On November 21, 2014, the Board held a Public Hearing to receive comments regarding the proposed increased water and sewer rates. After the public hearing Ordinance 281 Establishing Water Rates for Years 2015, 2016, 2017, 2018, and 2019 and Ordinance 282 Establishing Sewer Rates for Years 2015, 2016, 2017, 2018, and 2019 were approved. The water and sewer rates were set to the 2015 Proposition 218 rates as published in the notice.

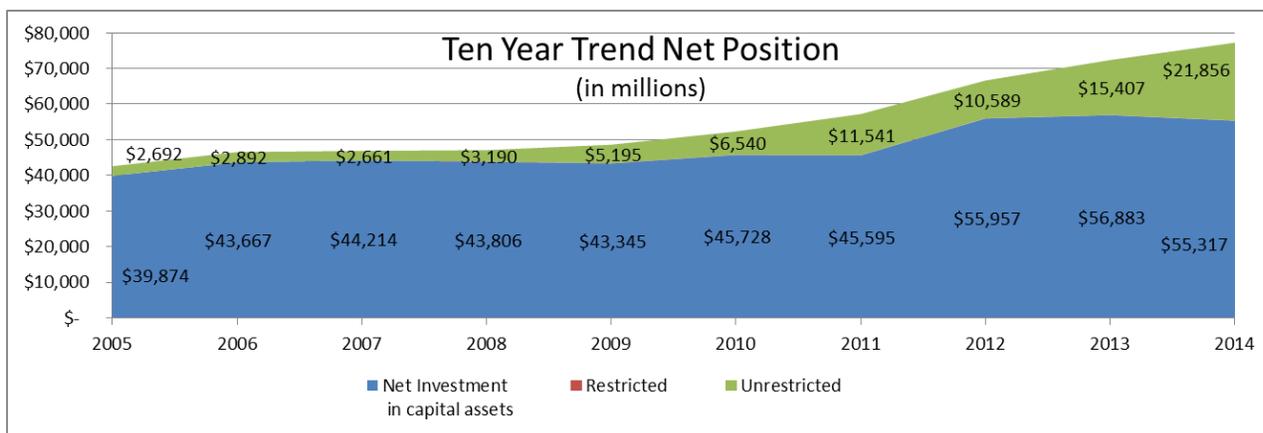
Parks and Recreation revenue (excluding property tax) represents 10.1% of the TCPUD-wide operating revenue and is projected to increase by 5.0% from the 2014 budget largely due to increased rental fees, kayak concession fees and maintenance grant revenue. Also, when appropriate, modest increases for recreation programs will occur to help recover the full cost of these services.

The adopted TCPUD 2015 budget operating expense totals are \$9.0 million, which represents a 4.2% increase over the 2014 operating expense budget largely due to the general salary and benefit increases and increases in material and supplies.

The 2015 \$8.7 million TCPUD-funded capital budget represents a 57.4% increase over FY 2014 funded capital budget of 5.5 million. The 2015 five year capital improvement TCPUD-funded program totals is \$38.35 million, a .04% decrease over last year's five year capital program.

Summary

The TCPUD’s overall financial health and flexibility have continued to improve during 2014. The chart below shows the changes in components of net position.

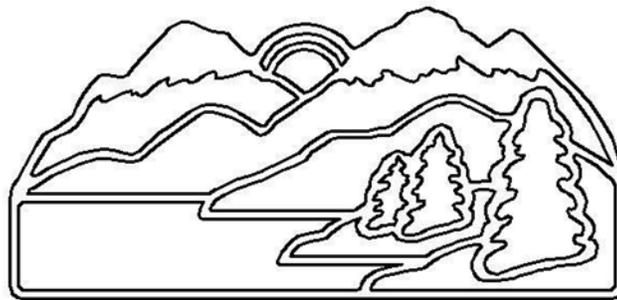


The TCPUD invested approximately \$3.9 million in water, sewer, and parks infrastructure, with an emphasis on completing the Lake Forest Boat Ramp, Grouse Drive and Upper Ellis water line replacement, and preparing for the \$9.4 million West Lake Tahoe Regional Water Treatment Plant.

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.

This page is intentionally blank.



Basic Financial Statements

Tahoe City Public Utility District
Statement of Net Position
December 31, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 5,757,365	\$ 11,141,126	\$ 16,898,491
Restricted cash and investments	23,036	-	23,036
Receivables:			
Accounts	-	230,165	230,165
Interest	-	223	223
Taxes	1,316,315	-	1,316,315
Grants	950,904	262,913	1,213,817
Other	61,068	9	61,077
Short-term internal balances	(233,083)	233,083	-
Inventories	64,541	242,303	306,844
Prepaid items and other assets	29,362	122,351	151,713
	<u>7,969,508</u>	<u>12,232,173</u>	<u>20,201,681</u>
Noncurrent assets:			
Restricted cash and investments	-	65,000	65,000
Facility improvement receivables	-	52,475	52,475
Other postemployment benefits, net	-	312,562	312,562
Net Pension Asset	-	1,477,278	1,477,278
Capital assets:			
Non-depreciable	7,099,572	2,069,706	9,169,278
Depreciable, net	21,085,992	30,488,201	51,574,193
Total capital assets, net	<u>28,185,564</u>	<u>32,557,907</u>	<u>60,743,471</u>
Total noncurrent assets	<u>28,185,564</u>	<u>34,465,222</u>	<u>62,650,786</u>
Total assets	<u>36,155,072</u>	<u>46,697,395</u>	<u>82,852,467</u>
LIABILITIES			
Current liabilities:			
Accounts payable	123,781	343,442	467,223
Accrued payroll and benefits payable	40,214	170,314	210,528
Employee medical reimbursement payable	46,102	-	46,102
Interest payable	22,850	-	22,850
Deposits payable	22,858	201,178	224,036
Other liabilities	-	32,130	32,130
Unearned revenue	59,921	97,932	157,853
Compensated absences-due within one year	160,908	199,962	360,870
Long-term debt-due within one year	625,403	39,579	664,982
Total current liabilities	<u>1,102,037</u>	<u>1,084,537</u>	<u>2,186,574</u>
Noncurrent liabilities:			
Long-term debt-due in more than one year	3,213,568	214,530	3,428,098
Total liabilities	<u>4,315,605</u>	<u>1,299,067</u>	<u>5,614,672</u>
NET POSITION			
Net Investment in capital assets	23,012,867	32,303,799	55,316,666
Restricted for:			
Guarantee permit and payment performance	-	65,000	65,000
Total restricted	-	65,000	65,000
Unrestricted	8,826,600	13,029,529	21,856,129
Total net position	<u>\$ 31,839,467</u>	<u>\$ 45,398,328</u>	<u>\$ 77,237,795</u>

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, 2014

Functions / Programs	Program Revenues					Net (Expense) Revenue and Changes in Net Position			
	Direct Expenses	Indirect Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total	Governmental Activities	Business-Type Activities	Total
Primary Government:									
Governmental activities:									
Public works - Parks	\$ 3,605,113	\$ 137,242	\$ 312,132	\$ 320,636	\$ 968,622	\$ 1,601,390	\$ (2,140,965)	\$ -	\$ (2,140,965)
Recreation	686,566	26,136	316,671	13,974	-	330,645	(382,057)	-	(382,057)
Interest on long-term debt (unallocated)	125,077	-	-	-	-	-	(125,077)	-	(125,077)
Total governmental activities	4,416,756	163,378	628,803	334,610	968,622	1,932,035	(2,648,099)	-	(2,648,099)
Business-type activities:									
Water	3,215,001	624,420	4,261,947	-	202,026	4,463,973	-	624,552	624,552
Sewer	2,575,524	557,629	4,146,065	-	-	4,146,065	-	1,012,912	1,012,912
Total business-type activities	5,790,525	1,182,049	8,408,012	-	202,026	8,610,038	-	1,637,464	1,637,464
Total primary government	\$ 10,207,281	\$ 1,345,427	\$ 9,036,815	\$ 334,610	\$ 1,170,648	\$ 10,542,073	(2,648,099)	1,637,464	(1,010,635)
General Revenues:									
							5,713,528	23,287	5,736,815
							51,736	104,797	156,533
Total general revenues and transfers							5,765,264	128,084	5,893,348
Change in net position							3,117,165	1,765,548	4,882,713
Net position - Beginning							28,722,302	43,632,780	72,355,082
Net position - Ending							\$ 31,839,467	\$ 45,398,328	\$ 77,237,795

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

Tahoe City Public Utility District
Balance Sheet – Governmental Funds
December 31, 2014

	General	Debt Service	Total Governmental Funds
ASSETS			
Cash	\$ 5,757,365	\$ -	\$ 5,757,365
Restricted cash	23,036	-	23,036
Receivables:			
Taxes	1,316,315	-	1,316,315
Grants	950,904	-	950,904
Other	53,478	7,590	61,068
Inventory	64,541		64,541
Prepaid items and other assets	29,362		29,362
Total assets	\$ 8,195,001	\$ 7,590	\$ 8,202,591
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 123,781	\$ -	\$ 123,781
Accrued payroll and benefits payable	40,214	-	40,214
Employee medical reimbursement payable	46,102	-	46,102
Deposits payable	22,858	-	22,858
Short-term internal balances	490,811	969	491,780
Unearned revenue	53,589	6,332	59,921
Total liabilities	777,355	7,301	784,656
Fund Balances:			
Non-Spendable	93,903	-	93,903
Assigned			
Long-term capital replacement	770,962	-	770,962
Unassigned fund balance			
General Fund	6,552,781	289	6,553,070
Total fund balances	7,417,646	289	7,417,935
Total liabilities and fund balances	\$ 8,195,001	\$ 7,590	\$ 8,202,591

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
 December 31, 2014

Total Fund Balances - Governmental Funds \$ 7,417,935

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	7,099,572
Depreciable, net	21,085,992
Total capital assets, net	<u>28,185,564</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>(22,850)</u>
--	-----------------

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>258,697</u>
--	----------------

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	(160,908)
Long-term debt - due within one year	(625,403)
Long-term debt - due in more than one year	<u>(3,213,568)</u>
Total long-term liabilities	<u>(3,999,879)</u>

Total Net Position of Governmental Activities \$ 31,839,467

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

Tahoe City Public Utility District
Statement of Revenues, Expenditures and Changes in Fund Balances
December 31, 2014

	General	Debt Service	Total Governmental Funds
REVENUES:			
Fees	\$ 571,485	\$ -	\$ 571,485
Property taxes	4,957,803	755,725	5,713,528
Interest	51,736	-	51,736
Grants	1,289,217	-	1,289,217
Other	39,918	14,015	53,933
Total revenues	6,910,159	769,740	7,679,899
EXPENDITURES:			
Current:			
Public works - Parks	2,085,922	-	2,085,922
Recreation	640,271	-	640,271
Other operating	163,378	-	163,378
Capital outlay	1,407,588	-	1,407,588
Debt service:			
Principal	-	639,848	639,848
Interest	-	129,892	129,892
Total expenditures	4,297,159	769,740	5,066,899
REVENUES OVER EXPENDITURES	2,613,000	-	2,613,000
OTHER FINANCING SOURCES (USES):			
Proceeds from the sale of assets	17,400	-	17,400
Total other financing sources (uses)	17,400	-	17,400
Net change in fund balances	2,630,400	-	2,630,400
FUND BALANCES:			
Beginning of year	4,787,246	289	4,787,535
End of year	<u>\$ 7,417,646</u>	<u>\$ 289</u>	<u>\$ 7,417,935</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
 December 31, 2014

Net Change in Fund Balances - Governmental Funds \$ 2,630,400

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. 1,407,588

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. (1,631,819)

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. 63,898

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. 639,848

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. 2,435

Change in compensated absences

Change in accrued interest

4,815

Change in Net Position of Governmental Activities \$ 3,117,165

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

Tahoe City Public Utility District
Statement of Net Position - Proprietary Fund
December 31, 2014

	<u>Water and Sewer Fund</u>
ASSETS	
Current assets:	
Cash and investments	\$ 11,141,126
Receivables:	
Accounts	230,165
Grants	262,913
Interest	223
Other	9.00
Short-term internal balances	491,780
Inventories	242,303
Prepaid items and other assets	122,351
Total current assets	<u>12,490,870</u>
Noncurrent assets:	
Restricted cash and investments	65,000
Facility improvement receivables	52,475
Other postemployment benefits, net	312,562
Net pension asset	1,477,278
Capital assets:	
Non-depreciable assets	2,069,706
Depreciable assets, net	30,488,201
Total capital assets, net	<u>32,557,907</u>
Total noncurrent assets	<u>34,465,222</u>
Total assets	<u>46,956,092</u>
LIABILITIES	
Current liabilities:	
Accounts payable	343,442
Accrued payroll and benefits payable	170,314
Deposits payable	201,178
Other liabilities	32,130
Unearned revenue	97,932
Compensated absences	199,962
Long-term debt - due within one year	39,579
Total current liabilities	<u>1,084,537</u>
Noncurrent liabilities:	
Long-term debt - due in more than one year	214,530
Total noncurrent liabilities	<u>214,530</u>
Total liabilities	<u>1,299,067</u>
NET POSITION	
Net Investment in capital assets	32,303,799
Restricted for:	
Guarantees of permit performance	65,000
Unrestricted (Note 9)	13,288,226
Total net position	<u>45,657,025</u>
Elimination of water services charged to the governmental funds	258,697
Net position of business-type activities	<u>\$ 45,398,328</u>

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
December 31, 2014

	Water and Sewer Fund
OPERATING REVENUES:	
Service and inspection fees	\$ 8,330,794
Connection fees	57,792
Penalties and discounts	92,842
Grant revenue	-
Other	65,513
Total operating revenues	<u>8,546,941</u>
OPERATING EXPENSES:	
Personnel	3,183,069
Operations	2,341,032
Depreciation	1,516,637
Total operating expenses	<u>7,040,738</u>
OPERATING INCOME	<u>1,506,203</u>
NONOPERATING REVENUES (EXPENSES):	
Property taxes	23,287
Interest income	97,188
Proceeds from sales of capital assets	6,122
Interest expense	(5,380)
Total nonoperating revenues (expenses)	<u>121,217</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	1,627,420
Capital contributions	202,026
Change in net position	1,829,446
NET POSITION:	
Beginning of year	<u>43,827,579</u>
End of year	<u>\$ 45,657,025</u>
RECONCILIATION OF CHANGE IN NET POSITION:	
Change in net position for propriety fund	\$ 1,829,446
Elimination of water services charged to the governmental funds	63,898
Change in net position for business-type activities	<u>\$ 1,765,548</u>

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

Tahoe City Public Utility District
Statement of Cash Flows – Proprietary
December 31, 2014

	Water and Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$ 8,436,096
Payments to suppliers	(2,286,737)
Payments to employees	(2,859,203)
Internal activity - receipts from other funds	(10,484)
Other receipts	2,001,255
Net cash provided by operating activities	5,280,927
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Property taxes received	23,287
Net cash provided by noncapital financing activities	23,287
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition of capital assets	(2,470,640)
Proceeds from sales of capital assets	6,124
Grants received	202,026
Principal payments on long-term debt	(39,576)
Interest paid on long-term debt	(5,380)
Net cash used by capital and related financing activities	(2,307,446)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest received	97,291
Net cash provided by investing activities	97,291
Net decrease in cash and cash equivalents	3,094,059
CASH AND CASH EQUIVALENTS	
Beginning of year	8,112,067
End of year	\$ 11,206,126
CASH AND CASH EQUIVALENTS	
Cash and cash equivalents	\$ 11,141,126
Restricted cash and cash equivalents	65,000
Total cash and cash equivalents	\$ 11,206,126
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ 1,506,203
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,516,637
Changes in assets and liabilities:	
(Increase) Decrease in:	
Accounts receivable	47,510
Grants receivable	1,736,826
Other receivable	(9)
Facilities improvement receivables	(35,653)
Due from/ to other funds	(10,484)
Inventories	(74,290)
Prepaid items and other assets	10,375
Other post employment benefits	256,916
Increase (Decrease) in:	
Accounts payable	128,585
Accrued payroll and benefits	73,906
Deposits payable	134,158
Other liabilities	(2,797)
Compensated absences	(6,956)
Net cash provided by operating activities	\$ 5,280,927

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

Notes to the Basic Financial Statements

**Tahoe City Public Utility District
Notes to Basic Financial Statements
For the year ended December 31, 2014**

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, 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 is controlled by the District and has the same governing body as the District, which also performs all accounting and administrative functions for the Corporation. The Corporation has a December 31 year-end and had no assets, liabilities, or activity as of and for the year ended December 31, 2014.

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, 2014**

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, 2014**

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 and technical 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, 2014**

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, 2014**

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 District 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: 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, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

F. Capital Assets, Continued

	<u>Useful Lives</u>
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, 2014, 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. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies

**Tahoe City Public Utility District
Notes to Basic Financial Statements
For the year ended December 31, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

I. Deferred Outflows/Inflows of Resources, continued

to future period(s) and will not be recognized as an outflow of resource (expense/expenditure) until then. In addition to liability, the statement of financial position or balance sheet will sometimes report a separate section to deferred inflows of resource. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

J. 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.

Bond premiums and discounts, as well as bond insurance, 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.

K. 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.

L. 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

**Tahoe City Public Utility District
Notes to Basic Financial Statements
For the year ended December 31, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

L. Property Tax, Continued

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.

M. Net Position

Government-Wide Financial Statements

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

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 positions 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 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 District’s intent to be used for specific purposes, but are neither restricted, nor committed. The intent can be made by either the

**Tahoe City Public Utility District
Notes to Basic Financial Statements
For the year ended December 31, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

governing body itself or a body or official to which the governing body has delegated the authority to the General Manager.

M. Net Position, Continued

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 exists. Fund balance in other funds will either be assigned, committed, restricted or nonspendable unless the fund reports a deficit.

N. 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.

**Tahoe City Public Utility District
Notes to Basic Financial Statements
For the year ended December 31, 2014**

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.

A. Cash Deposits

The carrying amounts of the District's operating cash balance \$582,404 at December 31, 2014. Bank balances were \$518,357, 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, 2014, include a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments include the following:

**Tahoe City Public Utility District
Notes to Basic Financial Statements
For the year ended December 31, 2014**

2. CASH AND INVESTMENTS, Continued

B. Investments, Continued

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, 2014, the District had \$493,580 invested with LAIF and \$15,818,911 invested with the Placer County Treasurer. LAIF had invested 1.659% of the pool investment funds in Structured Notes and Asset-Backed Securities. Fair value of LAIF and Placer County was calculated by applying a factor of 0.9998038 to total investments held by both. At December 31, 2014, the LAIF and Placer County Treasurer balance did not reflect an amortized cost of \$16,309 which approximates the fair market value.

C. Summary of Cash & Investments

The following is a summary of cash and investments at December 31, 2014:

	Government-Wide Statement of Net Assets		
	Governmental Activities	Business-Type Activities	Total
Operating cash deposits	\$ -	\$ 582,404	\$ 582,404
Imprest and other	3,296	300	3,596
Investments	5,754,069	10,558,422	16,312,491
Total cash and investments	5,757,365	11,141,126	16,898,491
Current - Restricted cash and investments	23,036		23,036
Noncurrent-Restricted cash and investments		65,000	65,000
Total All	\$ 5,780,401	\$ 11,206,126	\$ 16,986,527

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, 2014, 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, 2014, the District's investments 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.

**Tahoe City Public Utility District
Notes to Basic Financial Statements
For the year ended December 31, 2014**

2. CASH AND INVESTMENTS, Continued

D. Risks, Continued

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.

E. Restricted Cash and Investments

Restricted cash and investments for the District amounted to \$88,036. 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 status without the approval of the listed agencies. The remainder of the funds, in the amount of \$23,036, 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, 2014 were as follows:

		Due to other funds		
		General Fund	Water and Sewer	Total
Due from other funds	Water and Sewer	\$ 490,811	\$ -	\$ 490,811
	Debt Service	-	969	969
		\$ 490,811	\$ 969	\$ 491,780

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 2014 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, 2014**

4. CAPITAL ASSETS

A. Government-Wide Financial Statements

At December 31, 2014, 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	1,697,980	2,069,706	3,767,686
	<u>7,099,572</u>	<u>2,069,706</u>	<u>9,169,278</u>
Total non-depreciable assets			
Depreciable assets:			
Water and sewer plant	-	65,042,348	65,042,348
Recreational facilities	37,068,649	-	37,068,649
Office building and equipment	4,001,323	6,252,777	10,254,100
Vehicles	418,323	1,432,933	1,851,256
	<u>41,488,295</u>	<u>72,728,058</u>	<u>114,216,353</u>
Total depreciable assets			
Less accumulated depreciation:			
Water and sewer plant	-	(37,995,373)	(37,995,373)
Recreational facilities	(18,162,947)	-	(18,162,947)
Office building and equipment	(1,988,758)	(3,301,735)	(5,290,493)
Vehicles	(250,598)	(942,749)	(1,193,347)
	<u>(20,402,303)</u>	<u>(42,239,857)</u>	<u>(62,642,160)</u>
Total accumulated depreciation			
Net depreciable assets	<u>21,085,992</u>	<u>30,488,201</u>	<u>51,574,193</u>
Total capital assets, net	<u>\$ 28,185,564</u>	<u>\$ 32,557,907</u>	<u>\$ 60,743,471</u>

**Tahoe City Public Utility District
Notes to Basic Financial Statements
For the year ended December 31, 2014**

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, 2014	Additions	Retirements	Transfers/ Reclassifications	Balance as of December 31, 2014
Capital assets, not being depreciated:					
Land	\$ 5,251,592	\$ -	\$ -	\$ -	\$ 5,251,592
Non-depreciable license	150,000	-	-	-	150,000
Construction in progress	714,970	1,195,704	-	(212,694)	1,697,980
Total capital assets, not being depreciated	<u>6,116,562</u>	<u>1,195,704</u>	<u>-</u>	<u>(212,694)</u>	<u>7,099,572</u>
Capital assets, being depreciated:					
Recreational facilities	36,743,207	322,442		3,000	37,068,649
Office building and equipment	3,999,470	46,974	(42,121)	(3,000)	4,001,323
Vehicles	411,442	55,162	(48,281)	-	418,323
Total capital assets, being depreciated	<u>41,154,119</u>	<u>424,578</u>	<u>(90,402)</u>	<u>-</u>	<u>41,488,295</u>
Less accumulated depreciation for:					
Recreational facilities	(16,756,403)	(1,406,544)	-	-	(18,162,947)
Office building and equipment	(1,833,920)	(196,959)	42,121	-	(1,988,758)
Vehicles	(270,563)	(28,316)	48,281	-	(250,598)
Total accumulated depreciation	<u>(18,860,886)</u>	<u>(1,631,819)</u>	<u>90,402</u>	<u>-</u>	<u>(20,402,303)</u>
Net capital assets being depreciated	<u>22,293,233</u>	<u>(1,207,241)</u>	<u>-</u>	<u>-</u>	<u>21,085,992</u>
Governmental activities capital assets, net	<u>\$ 28,409,795</u>	<u>\$ (11,537)</u>	<u>\$ -</u>	<u>\$ (212,694)</u>	<u>\$ 28,185,564</u>

Depreciation expense for capital assets during the year ended December 31, 2014 was charged to the different activities as follows:

Public works - parks	\$ 1,584,968
Recreation	46,851
Total	<u>\$ 1,631,819</u>

**Tahoe City Public Utility District
Notes to Basic Financial Statements
For the year ended December 31, 2014**

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, 2014	Additions	Retirements	Transfers/ Reclassifications	Balance as of December 31, 2014
Capital assets, not being depreciated:					
Construction in progress	\$ 1,265,127	\$ 2,336,847	\$ -	\$ (1,532,268)	\$ 2,069,706
Total capital assets, not being depreciated	1,265,127	2,336,847	-	(1,532,268)	2,069,706
Capital assets, being depreciated:					
Water and sewer plant	65,036,352	1,483,852	-	(1,477,856)	65,042,348
Office building and equipment	4,607,540	160,993	(76,565)	1,560,809	6,252,777
Vehicles	1,494,669	-	-	(61,736)	1,432,933
Total capital assets, being depreciated	71,138,561	1,644,845	(76,565)	21,217	72,728,058
Less accumulated depreciation for:					
Water and sewer plant	(37,166,111)	(1,195,799)	-	366,537	(37,995,373)
Office building and equipment	(2,807,435)	(204,327)	76,565	(366,538)	(3,301,735)
Vehicles	(826,238)	(116,511)	-	-	(942,749)
Total accumulated depreciation	(40,799,784)	(1,516,637)	76,565	(1)	(42,239,857)
Net capital assets being depreciated	30,338,777	128,208	-	21,216	30,488,201
Business-type activities capital assets, net	\$ 31,603,904	\$ 2,465,055	\$ -	\$ (1,511,052)	\$ 32,557,907

Depreciation expense for capital assets for December 31, 2014 was charged to the different activities as follows:

Water	\$ 879,478
Sewer	637,159
Total	<u>\$ 1,516,637</u>

**Tahoe City Public Utility District
Notes to Basic Financial Statements
For the year ended December 31, 2014**

5. UNEARNED REVENUE

Government-Wide Financial Statements

At December 31, 2014, 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		
	Governmental Funds			Enterprise Fund	Total	
	General Fund	Debt Service Fund				Water Sewer Fund
Homewood BT Deferred Revenue	\$ 42,547	\$ -	\$ 42,547	\$ -	\$ 42,547	
Sidewalk principal and interest	11,042	6,332	17,374	-	17,374	
Water system studies grant	-	-	-	97,932	97,932	
Total	\$ 53,589	\$ 6,332	\$ 59,921	\$ 97,932	\$ 157,853	

6. LONG TERM DEBT

The following is a summary of long-term debt transactions for the year ended December 31, 2014:

	Maturity Date	Interest Rate	Balance			Balance December 31, 2014	Current Portion	Due in More than One Year
			January 1, 2014	Additions	Retirements			
Governmental Activities								
Sidewalk Improvement Bonds	2019	6.02%	\$ 75,079	\$ -	\$ (12,513)	\$ 62,566	\$ 12,513	\$ 50,053
Bank of America Loan - 2004	2014	4.50%	36,758	-	(36,758)	-	-	-
Zions Bank Loan	2017	4.30%	903,178	-	(211,596)	691,582	220,792	470,790
State Water Resources Control Board Taxable Pension Obligation Refunding Bonds	2028	1.80%	1,821,829	-	(106,856)	1,714,973	108,783	1,606,190
	2019	4.05%	1,641,975	-	(272,125)	1,369,850	283,315	1,086,535
Total Governmental activities			\$ 4,478,819	\$ -	\$ (639,848)	\$ 3,838,971	\$ 625,403	\$ 3,213,568
Business-Type Activities								
2001 Refunding Bonds								
Series C	2021	6.05%	\$ 293,685	-	\$ (39,576)	\$ 254,109	\$ 39,579	\$ 214,530
Total Business-type activities			\$ 293,685	\$ -	\$ (39,576)	\$ 254,109	\$ 39,579	\$ 214,530

**Tahoe City Public Utility District
Notes to Basic Financial Statements
For the year ended December 31, 2014**

6. LONG TERM DEBT, Continued

Future principal and interest payments on all long-term debt were as follows at December 31, 2014:

For the Year Ending 12/31	Governmental Activities			
	Zions Bank Loan		State Water Resources Control Board	
	Principal	Interest	Principal	Interest
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	-	-	114,773	24,930
2019-2020	-	-	235,792	43,615
2021-2025	-	-	627,700	70,817
2026-2028	-	-	404,440	14,671
	<u>\$ 691,582</u>	<u>\$ 52,964</u>	<u>\$ 1,714,973</u>	<u>\$ 240,877</u>

For the Year Ending 12/31	Governmental Activities			
	Pension Refunding Bonds		Sidewalk Improvement Bonds	
	Principal	Interest	Principal	Interest
2015	\$ 283,315	\$ 51,212	\$ 12,513	\$ 1,252
2016	294,964	39,563	12,513	1,002
2017	307,093	27,434	12,513	752
2018	319,721	14,806	12,513	500
2018-2021	164,757	2,507	12,514	250
	<u>\$ 1,369,850</u>	<u>\$ 135,522</u>	<u>\$ 62,566</u>	<u>\$ 3,756</u>

For the Year Ending 12/31	Business-Type Activities	
	2001 Refunding Bonds Series C	
	Principal	Interest
2015	\$ 40,331	\$ 4,626
2016	41,100	3,857
2017	41,490	3,073
2018	42,281	2,676
2018-2021	88,907	1,692
	<u>\$ 254,109</u>	<u>\$ 15,924</u>

**Tahoe City Public Utility District
Notes to Basic Financial Statements
For the year ended December 31, 2014**

6. 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. 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 - 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 eight 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. 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.

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 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.

**Tahoe City Public Utility District
Notes to Basic Financial Statements
For the year ended December 31, 2014**

6. LONG TERM DEBT, Continued

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.

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 2014 General Property Tax Pledged
Governmental Activities		
Bank of America Loan - 2004	37,585	0.7%
Bank of America Loan - 2011	334,610	5.8%
Zions Bank Loan	277,067	4.8%
State Water Resources Control Board	139,704	2.4%
2001 Refunding Bonds Series C	23,287	0.4%
Unpledged General Property Tax Revenues	<u>4,924,562</u>	<u>85.8%</u>
Total 2014 General Property Tax Revenues	<u>\$ 5,736,815</u>	<u>100.0%</u>

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.

**Tahoe City Public Utility District
Notes to Basic Financial Statements
For the year ended December 31, 2014**

8. COMPENSATED ABSENCES

Compensated absences balances and activity for the year ended December 31, 2014 were as follows:

	Balance <u>January 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>December 31, 2014</u>	Due within <u>One Year</u>
Governmental Activities	\$ 163,343	\$ 147,662	\$ (150,097)	\$ 160,908	\$ 160,908
Business-Type Activities	<u>206,918</u>	<u>150,160</u>	<u>(157,116)</u>	<u>199,962</u>	<u>199,962</u>
Total	<u>\$ 370,261</u>	<u>\$ 297,822</u>	<u>\$ (307,213)</u>	<u>\$ 360,870</u>	<u>\$ 360,870</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.

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, 2014 is as follows. Non-spendable consists of prepaid items and inventory. The District has assigned \$684,162 for capital reserve and \$86,800 for rolling stock in the General Fund for the long-term replacement of capital assets within the District Parks and Recreation.

Non-Spendable	\$ 93,903
Assigned	
Capital Reserve -capital	684,162
Capital Reserve-rolling stock	86,800
Unassigned fund balance	<u>6,552,781</u>
Total Fund Balance General Fund	<u>\$ 7,417,646</u>

**Tahoe City Public Utility District
Notes to Basic Financial Statements
For the year ended December 31, 2014**

9. FUND BALANCE / NET POSITION, Continued

The District designated the unrestricted net position of the proprietary fund at December 31, 2014 as follows:

Designated for:	Water	Sewer	Total
Minimum Capital Reserve	\$ 1,600,000	\$ 1,800,000	\$ 3,400,000
Rolling Stock	189,370	189,370	378,740
Budget Stabilization	741,440	736,780	1,478,220
Property tax reserve - water	1,562,653	-	1,562,653
Total designated net position - proprietary activities			6,819,613
Undesignated			6,468,613
Total unrestricted net position proprietary fund			\$ 13,288,226

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 retirement 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 (CalPERS); 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. CalPERS provides retirement and disability retirement benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS 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 CalPERS annual financial report may be obtained from their executive offices at 400 P Street, Sacramento, CA 95814.

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:

<u>Effective Date</u>	<u>COLA</u>	<u>75.00% of COLA</u>	<u>Total EPMC</u>	<u>Employer Paid</u>	<u>Employee Paid</u>
			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%
1/1/2014	1.20%	0.90%		2.35%	5.65%

**Tahoe City Public Utility District
Notes to Basic Financial Statements
For the year ended December 31, 2014**

10. PENSION PLANS, Continued

During the fiscal year the District paid \$94,817 and the employees paid \$173,332 of the employee required 8% contribution. The District is also required to contribute at an actuarially determined rate; the 2014 current rates January through June are 15.685% and July through December 16.691% of annual covered compensation for Miscellaneous Employees. The contribution requirements of plan members and the District are established and may be amended by CalPERS.

Annual Pension Costs. The District's annual pension cost of \$542,907 was equal to the District's required and actual contribution. The required contribution was determined as part of the June 30, 2012 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 CalPERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a 15-year period. CalPERS 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, 2012 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 Obligation
2010	\$ 668,034	100.0%	\$ -
2011	\$ 589,521	100.0%	\$ -
2012	\$ 503,951	100.0%	\$ -
2013	\$ 513,739	100.0%	\$ -
2014	\$ 542,907	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 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 CalPERS 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 CalPERS side fund represents the District's specific liability that was assumed by the Districts 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 CalPERS to calculate the Annual Required Contribution (ARC) each year. A summary of the methodology used is as follows:

**Tahoe City Public Utility District
Notes to Basic Financial Statements
For the year ended December 31, 2014**

10. PENSION PLANS, Continued

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, 2014 is as follows:

	Balance as of <u>January 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	Balance as of <u>December 31, 2014</u>
Business-Type Activities	\$ 1,731,683	\$ 134,205	(\$388,610)	\$ 1,477,278

11. POST-EMPLOYMENT 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 CalPERS group health insurance plan, and all receive benefits from the TCPUD's self-administered dental and vision plans. Benefit provisions are established through negotiations between the District and the International Union of Operating Engineers, Stationary Engineers, 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 between the District, the Union, and the informal bargaining group. The TCPUD currently contributes monthly maximums toward medical premiums of \$634.85 for a retiree with 2 or more dependents, \$496.84 for a retiree with 1 dependent, and \$248.42 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 2014, the District paid \$130,878 toward retiree medical premiums and \$32,058 for retiree dental and vision claims, which amounted to \$162,936, as contributions to OPEB. TCPUD also placed \$81,833 into the CERBT, to be applied towards the OPEB obligation. This provided for \$244,769 as total contributions in 2014 to OPEB.

Annual OPEB Cost and Net OPEB Obligation - The District's annual other post-employment benefit (OPEB) expense is calculated based on the annual required contribution (ARC) of the employer which is included

Tahoe City Public Utility District
Notes to Basic Financial Statements
For the year ended December 31, 2014

11. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS, Continued

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 CERBT and premiums and claims paid, and changes in the District's net OPEB asset for the Retiree Health Plan:

Annual required contribution	\$ 242,825
Interest adjustment	4,455
Annual OPEB Expense	<u>247,280</u>
Contribution made	<u>244,769</u>
Decrease in net OPEB asset	(2,511)
Net OPEB Asset - beginning of year	<u>315,073</u>
Net OPEB Asset - end of year	<u><u>\$ 312,562</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, 2014 and the last four previous fiscal years are as follows:

Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Asset
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
2014	\$ 247,280	99.0%	\$ 312,562

Funded Status and Funding Progress - As of December 31, 2014, the actuarial accrued liability for benefits was \$3,010,637 of which \$1,164,220 was funded in the CERBT. The covered payroll (annual payroll of active employees covered by the plan) was \$3,289,595 and the ratio of the unfunded actuarial liability to the covered payroll was 56.1%.

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 healthcare cost trends. 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.

**Tahoe City Public Utility District
Notes to Basic Financial Statements
For the year ended December 31, 2014**

11. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS, Continued

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, 2014. 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.

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:

	<u>September 30, 2014</u>	<u>September 30, 2013</u>
Total assets	\$ 195,584,006	\$ 194,823,604
Total liabilities	107,626,833	100,307,836
Total net assets	87,957,173	94,515,768
Total operating revenues	142,014,403	140,290,060
Total operating expenses	149,684,189	133,299,974

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.

**Tahoe City Public Utility District
Notes to Basic Financial Statements
For the year ended December 31, 2014**

12. RISK MANAGEMENT, Continued

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 may increase deposit requirements from its members. The District would be required to pay these amounts prior to terminating participation in ACWA-JPIA.

During fiscal year 2014, 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.

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 \$220,918 at December 31, 2014.

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 (AEC) 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 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.

Tahoe City Public Utility District
Notes to Basic Financial Statements
For the year ended December 31, 2014

15. RELATED PARTY TRANSACTIONS, Continued

For fiscal year 2014 the District has contracted with AEC for the following projects and provided payments in the amounts as follows:

<u>Project Name</u>	<u>Amount</u>
Dollar I Backup Power	\$ 4,302
Grouse Drive & Upper Ellis Road Water Line Replacement	99,792
HWY 89 Conductor Casing Crossings Phase I	36,578
HWY 89 Conductor Casing Crossings Phase II	6,853
Lake Forest Boat Ramp Rehab	111,313
Lake Forest Water Line Replacement Phase 2	13,663
Lake Forest Water Line Replacement Phase 3	3,971
Lakeside Trail Phase V	667
Lakeside Trail Phase VI	667
Old Dollar Point Pump Station Pressure Relief Valve	1,890
Tahoe City Main Emergency Water Supply	39,661
TCPUD Administrative Property BMP Retrofit	20,046
Truckee River Trail Overlay	16,289
Truckee River Trail Stabilization	23,589
Woodview to Four Seasons	4,261
Operational Costs	3,660
Total Project Cost	<u>\$ 387,202</u>

Required Supplementary Information

Budgets and Budgetary Accounting

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

1. The General 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 Board Resolution.
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
 For the year ended December 31, 2014

Budgetary Comparison Schedule - General Fund

	Budget Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Fees	\$ 619,766	\$ 619,766	\$ 571,485	\$ (48,281)
Property taxes	4,590,539	4,590,539	4,957,803	367,264
Interest	5,400	5,400	51,736	46,336
Grants	3,406,188	3,406,188	1,289,217	(2,116,971)
Other	20,264	20,264	39,918	19,654
Total revenues	8,642,157	8,642,157	6,910,159	(1,731,998)
EXPENDITURES:				
Current:				
Public works - Parks	2,286,429	2,286,429	2,085,922	200,507
Recreation	639,710	639,710	640,271	(561)
Other operating	198,492	198,492	163,378	35,114
Capital outlay	4,083,375	4,083,375	1,407,588	2,675,787
Total expenditures	7,208,006	7,208,006	4,297,159	2,910,847
REVENUES OVER (UNDER) EXPENDITURES	1,434,151	1,434,151	2,613,000	1,178,849
OTHER FINANCING SOURCES (USES):				
Proceeds from sales of asset	360	360	17,400	17,040
Transfers out to other funds	-	-	-	-
Total other financing sources (uses)	360	360	17,400	17,040
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	\$ 1,434,511	\$ 1,434,511	2,630,400	\$ 1,195,889
FUND BALANCES:				
Beginning of year			4,787,246	
End of year			\$ 7,417,646	

Tahoe City Public Utility District
 Required Supplementary Information
 For the year ended December 31, 2014

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 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)
12/31/2010	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%
12/31/2014	1,164,220	3,010,637	1,846,417	38.7%	3,289,595	56.1%

STATISTICAL SECTION

This part of the District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

Contents Page

Financial Trends 67-69

These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

Operating Information 70-72

These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.

Net Position by Component

Tahoe City Public Utility District
Net Position by Component
Last Ten Years
(accrual basis of accounting)

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Governmental activities										
Net Investment in capital assets	\$ 23,012,867	\$ 25,572,951	\$ 26,113,468	\$ 18,769,956	\$ 18,810,323	\$ 18,169,111	\$ 18,631,900	\$ 20,008,205	\$ 23,351,094	\$ 20,339,924
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	8,826,600	3,149,351	349,651	1,642,768	1,122,150	702,001	684,901	612,381	740,098	861,366
Total governmental activities net position	\$ 31,839,467	\$ 28,722,302	\$ 26,463,119	\$ 20,412,724	\$ 19,932,473	\$ 18,871,112	\$ 19,316,801	\$ 20,620,586	\$ 24,091,192	\$ 21,201,290
Business-type activities										
Net Investment in capital assets	\$ 32,303,799	\$ 31,310,220	\$ 29,843,861	\$ 26,824,951	\$ 26,917,470	\$ 25,176,354	\$ 25,174,563	\$ 24,205,999	\$ 20,316,238	\$ 19,534,548
Restricted	65,000	65,000	65,000	65,000	65,000	65,000	83,592	-	-	-
Unrestricted	13,029,529	12,257,558	10,239,603	9,898,703	5,417,876	4,493,416	2,504,815	2,048,300	2,152,321	1,830,689
Total business-type activities net position	\$ 45,398,328	\$ 43,632,778	\$ 40,148,464	\$ 36,788,654	\$ 32,400,346	\$ 29,734,770	\$ 27,762,970	\$ 26,254,299	\$ 2,152,321	\$ 21,365,237
Primary Government										
Net Investment in capital assets	\$ 55,316,666	\$ 56,883,171	\$ 55,957,329	\$ 45,594,907	\$ 45,727,793	\$ 43,345,465	\$ 43,806,463	\$ 44,214,204	\$ 43,667,332	\$ 39,874,472
Restricted	65,000	65,000	65,000	65,000	65,000	65,000	83,592	-	-	-
Unrestricted	21,856,129	15,406,909	10,589,254	11,541,471	6,540,026	5,195,417	3,189,716	2,660,681	2,892,419	2,692,055
Total primary government net position	\$ 77,237,795	\$ 72,355,080	\$ 66,611,583	\$ 57,201,378	\$ 52,332,819	\$ 48,605,882	\$ 47,079,771	\$ 46,874,885	\$ 46,559,751	\$ 42,566,527

Change in Net Position

Tahoe City Public Utility District Change in Net Position Last Ten Years (accrual basis of accounting)

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Expenses:										
<i>Governmental activities:</i>										
Direct expenses	\$ 4,416,756	\$ 4,348,456	\$ 3,738,067	\$ 3,790,864	\$ 3,496,118	\$ 3,617,796	\$ 3,657,408	\$ 3,270,421	\$ 2,698,940	\$ 2,601,268
Indirect expenses	163,378	201,516	77,552	67,971	639,589	533,826	60,991	657,992	577,126	556,320
Total expenses	4,580,134	4,549,972	4,513,593	4,470,576	4,135,707	4,151,622	4,267,325	3,928,413	3,276,066	3,157,588
<i>Business-type:</i>										
Direct expenses	\$ 5,790,525	\$ 5,580,087	\$ 5,176,797	\$ 5,384,700	\$ 5,206,329	\$ 5,175,953	\$ 5,479,235	\$ 5,661,629	\$ 5,075,792	\$ 4,823,450
Indirect expenses	1,182,049	1,116,164	1,538,164	1,331,925	1,215,621	1,210,126	1,263,237	1,315,320	1,152,593	1,106,314
Total expenses	6,972,574	6,696,251	6,714,961	6,716,625	6,421,950	6,386,079	6,742,472	6,976,949	6,228,385	5,929,764
Program Revenue										
<i>Governmental activities:</i>										
Charges for services	628,803	678,198	601,878	504,867	467,704	471,928	462,159	431,039	412,618	379,784
Operating grants and contributions	334,610	305,861	367,184	374,326	297,996	366,644	310,358	287,041	249,982	223,373
Capital grants and contributions	968,622	257,535	4,346,031	2,194,414	1,157,357	60,519	217,104	866,486	3,735,139	1,039,867
Property taxes	5,713,528	5,569,351	5,249,163	5,114,287	5,217,858	5,397,897	5,110,741	4,854,983	4,459,134	3,917,876
Investment earnings	51,736	(1,790)	(268)	5,356	6,153	8,945	13,178	18,258	9,095	12,588
Transfers	-	-	-	(3,242,422)	(1,950,000)	(2,600,000)	(3,150,000)	(6,000,000)	(2,700,000)	(2,020,000)
Total program revenues	7,697,299	6,809,155	10,563,988	4,950,828	5,197,068	3,705,933	2,963,540	457,807	6,165,968	3,553,488
<i>Business-type</i>										
Charges for services	8,408,012	8,399,689	7,708,584	7,066,619	6,443,276	5,472,264	4,897,218	4,535,787	4,383,271	4,034,802
Operating grants and contributions	-	-	239,547	314,735	61,218	-	28,000	-	-	-
Capital grants and contributions	202,026	1,572,553	2,035,785	400,000	541,489	136,185	-	13,444	46,524	1,802,083
Property taxes	23,287	23,287	19,951	44,526	64,457	107,095	104,095	104,095	104,095	104,095
Investment earnings	104,797	104,964	70,904	36,632	27,086	45,335	71,830	106,363	97,817	67,726
Transfers	-	-	-	3,242,422	1,950,000	2,600,000	3,150,000	6,000,000	2,700,000	2,020,000
Total program revenues	8,738,122	10,100,493	10,074,771	11,104,934	9,087,526	8,360,879	8,251,143	10,759,689	7,331,707	8,028,706
Total Program Revenue	\$ 16,435,421	\$ 16,909,648	\$ 20,638,759	\$ 16,055,762	\$ 14,284,594	\$ 12,066,812	\$ 11,214,683	\$ 11,217,496	\$ 13,497,675	\$ 11,582,194
Net Expense										
<i>Governmental activities:</i>										
Business-type	\$ (4,580,134)	\$ (4,549,972)	\$ (4,513,593)	\$ (4,470,576)	\$ (4,135,707)	\$ (4,151,622)	\$ (4,267,325)	\$ (3,928,413)	\$ (3,276,066)	\$ (3,157,588)
Governmental activities:	(6,972,574)	(6,696,251)	(6,714,961)	(6,716,625)	(6,421,950)	(6,386,079)	(6,742,472)	(6,976,949)	(6,228,385)	(5,929,764)
Total	\$ (11,552,708)	\$ (11,246,223)	\$ (11,228,554)	\$ (11,187,201)	\$ (10,557,657)	\$ (10,537,701)	\$ (11,009,797)	\$ (10,905,362)	\$ (9,504,451)	\$ (9,087,352)

Fund Balances of Governmental Funds

Tahoe City Public Utility District
Fund Balances of Governmental Funds
Last Ten Years
(modified accrual basis of accounting)

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General Fund										
Nonspendable	\$ 93,903	\$ 28,811	\$ 65,553	\$ 45,268	\$ 41,354	\$ -	\$ -	\$ -	\$ -	\$ -
Committed	-									
Assigned	770,962	450,000	450,000	450,000	450,000	50,000	50,000	50,000	50,000	50,000
Unassigned	6,552,781	4,308,435	1,804,519	1,302,831	785,523	823,902	796,067	686,318	759,458	505,691
Total general fund	\$ 7,417,646	\$ 4,787,246	\$ 2,320,072	\$ 1,798,099	\$ 1,276,877	\$ 873,902	\$ 846,067	\$ 736,318	\$ 809,458	\$ 555,691

User Statistics, Last Ten Fiscal Years

Tahoe City Public Utility District
User Statistics, Last Ten Fiscal Years
Total number of users (unaudited)

Program	Unit of Measurement	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Water	Customers	4,173	4,188	4,088	4,088	3,980	3,947	3,910	3,899	3,874	3,860
Sewer	Customers	7,645	7,636	7,636	7,636	7,504	7,466	7,443	7,362	7,363	7,346
Camp Skylandia	Enrolled Campers	641	615	601	692	637*	637*	637*	637*	637*	637*
Concerts at Commons Beach	Individual Attendees	15,525	20,550	23,200	26,050	19,095	17,047	15,505	n/a	n/a	n/a
Tahoe City Golf Course	Rounds Played	9,974	11,637	11,060	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Lake Forest Boat Ramp	Boats Launched	5,005	4,476	4,532	4,030	4,946	5,739	4,395	4,284	4,023	3,977

SOURCE: Tahoe City Public Utility District
* estimated
n/a - data not available

Water and Sewer Rates

Tahoe City Public Utility District
Water and Sewer Base Rates
Last Ten Fiscal Years (unaudited)

Year	Residential		Commercial		Commercial	
	Monthly Water Base Rate .75" meter	Monthly Water Base Rate .75" meter	Monthly Water Base Rate	Monthly Water Base Rate	Monthly Sewer Base Rate	Monthly Sewer Base Rate Hotel Room w/ Bath - per room
2004	\$32.80	\$42.14	\$15.39	\$26.48	\$6.26	
2005	\$33.78	\$43.40	\$15.85	\$29.13	\$6.44	
2006	\$35.47	\$45.57	\$16.32	\$31.75	\$6.64	
2007	\$37.24	\$47.85	\$16.81	\$34.61	\$6.84	
2008	\$43.76	\$56.22	\$17.65	\$36.34	\$7.18	
2009	\$47.00	\$58.00	\$20.76		\$8.45	
2010	\$50.00	\$61.00			\$10.78	
2011	\$52.00	\$63.00			\$11.86	
2012	\$55.00	\$67.00			\$12.93	
2013	\$55.00	\$67.00			\$14.09	
2014	\$55.00	\$67.00			\$14.79	

Parks and Recreation User Fees and Grants

Tahoe City Public Utility District
Parks and Recreation User Fees and Grants
Last Ten Fiscal Years (unaudited)

Fiscal Year	Fees for Service Parks	Grants for Parks	Fees for Service Rec	Grants for Rec	Total
2005	\$ 156,907	\$ 217,961	\$ 225,430	\$ 850	\$ 601,148
2006	\$ 170,228	\$ 223,716	\$ 261,147	\$ 1,800	\$ 656,891
2007	\$ 200,752	\$ 248,565	\$ 274,882	\$ 5,250	\$ 729,448
2008	\$ 213,748	\$ 234,158	\$ 303,071	\$ 15,250	\$ 766,227
2009	\$ 208,012	\$ 325,002	\$ 295,401	\$ 9,976	\$ 838,391
2010	\$ 245,755	\$ 230,679	\$ 264,712	\$ 21,798	\$ 762,944
2011	\$ 294,608	\$ 264,243	\$ 302,423	\$ 11,324	\$ 872,598
2012	\$ 325,711	\$ 287,005	\$ 312,355	\$ 29,179	\$ 954,250
2013	\$ 340,404	\$ 284,499	\$ 317,335	\$ 18,729	\$ 960,967
2014	\$ 290,441	\$ 306,621	\$ 304,200	\$ 13,974	\$ 915,236

This page is intentionally blank.

