

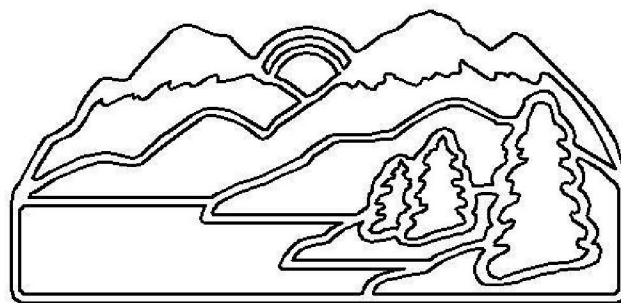
**Tahoe City
Public Utility District**

Tahoe City, California

**Annual Financial Report
For the Year Ended
December 31, 2015
With
Independent Auditor's Report**

Prepared by the Accounting Department

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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

Vision Statement

We are a proactive local government agency,
dedicated to providing outstanding public service and collaborative leadership,
now and in the future.

Strategic Planning

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



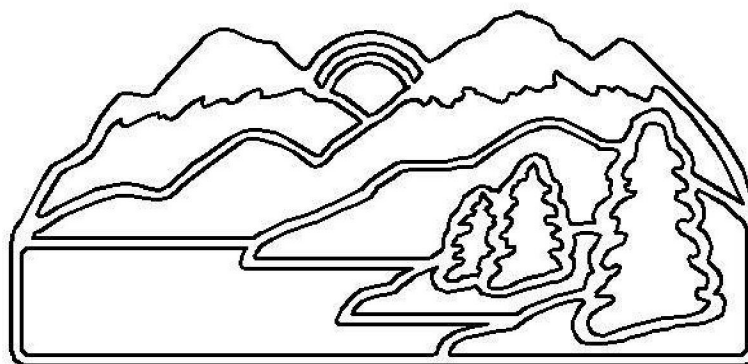
Cindy Gustafson, General Manager

- **Service** - We extend our passion for service to all we encounter, and consider the following as our “customers”; rate payers, fellow team members, contractors, Board of Directors, agencies, taxpayers, visitors and the entire community we serve.
- **Professionalism** - We are a team of professionals that take pride in always doing what is right. We value our role as financial stewards and are dedicated to serving our community in the most efficient, effective and safe manner.
- **Teamwork** - We put team success first and work to promote cooperation and commitment within the District to fulfill our mission and serve our community. We believe that together we achieve more.
- **Initiative** - We are committed to the pursuit of excellence and believe that innovation, learning and growth are critical to that pursuit. We all act like owners and take personal responsibility for the District’s success.
- **Communication** - We value relationships in all areas and believe that communication is fundamental to the success of our team, our “customers” and our community.

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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, 2015. 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, 2015.

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, 2015. 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 - 4,167

Sewer customers - 7,665

Parks and Recreation customers - over 1,000,000

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, 43 full time employees and 30 seasonal employees provide the listed services. Employees serve in five departments: Utilities; Parks & Recreation; Engineering; and Administrative Services 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 and El Dorado Counties, 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 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 Sacramento/San Francisco Bay Area economy.

California's historical drought is in its 5th year but the Tahoe Region experienced an average winter that allowed the ski resorts and local businesses to have a relatively normal winter season. Though the State of California has relaxed its mandatory water conservation measures due to good snowpack the drought persists. Due to the result of a good winter and snowpack, the State is allowing water providers to self-certify their individual water supplies, demands, and conservation levels. TCPUD will pursue self-certification, but is currently mandated to reduce water consumption by a cumulative 17% as compared to 2013 until receiving certification. Upon receiving self-certification, the District will revise conservation requirements if appropriate.

Looking Forward

In 2016 TCPUD will continue efforts toward accountability and transparency while keeping TCPUD's core values of Service, Professionalism, Teamwork, Initiative, and Communication 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 \$44.1 million. TCPUD is also actively pursuing grant funding and considering other financing activities for water and sewer capital.

Fiscal year 2015 was largely marked by the unprecedented State Water Conservation Mandate. TCPUD was required to reduce District-wide water consumption by 20% to remain in compliance with the State. The exceptional efforts of residents, visitors, and the District itself, resulted in a 32.7% reduction in water use and a commensurate reduction of \$0.254 million in consumption revenue. With continued water conservation regulations in 2016, we anticipate a new reality of increased expenses and reduced revenues impacting both our current and future budgets. This new reality is reflected in the 2016 Budget.

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 remain involved in community projects such as Fanny Bridge, the Tahoe Basin Area Plan, and engaged with community partners on regional workforce housing challenges.

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,

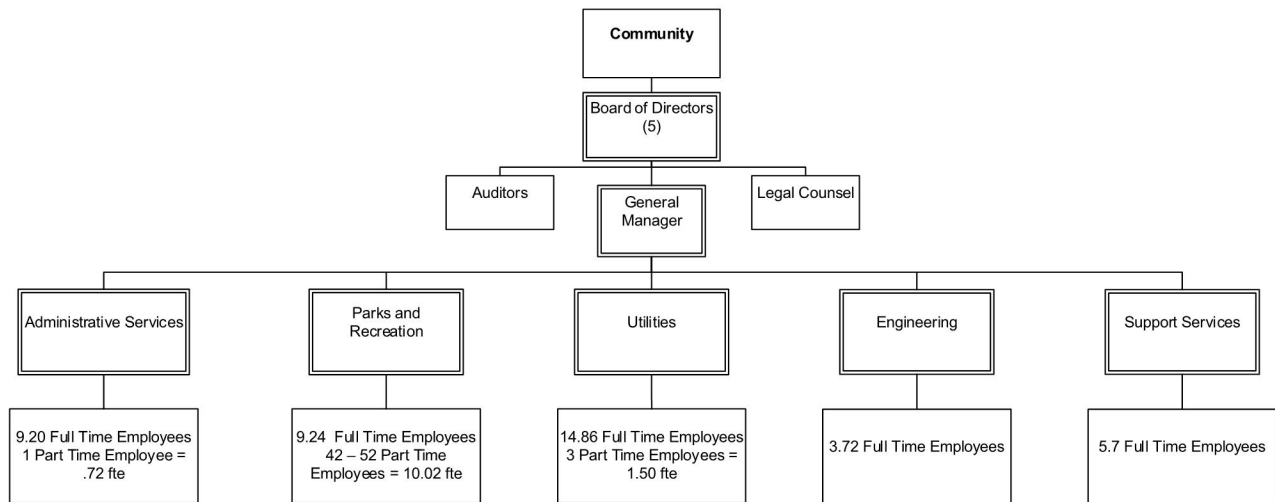


Cindy Gustafson
General Manager



Ramona Cruz
Chief Financial Officer/Treasurer

TCPUD Wide Organizational Chart



List of Elected and Appointed Officials

Elected Officials

Board President	Ron Treabess	Term 2012-2016
Vice President	Judy Friedman	Term 2012-2016
Board of Director	Erik Henrikson	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

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) for the year ended December 31, 2015, 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 an opinion 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. 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 opinion.

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, 2015, 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.

Emphasis of Matter

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2015, the District adopted new accounting guidance, GASB Statement No. 68, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27 and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension schedules, and schedule of funding progress for other post-employment benefits (OPEB), 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 30, 2016, 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, CA

June 30, 2016

Management Discussion and Analysis

The management discussion and analysis (MD&A) of the Tahoe City Public Utility District's financial performance provides an overview of TCPUD's financial activities for the years ended December 31, 2015. The intent of this discussion and analysis is to assess the TCPUD's financial performance as a whole; therefore, it should be read in conjunction with the TCPUD's financial statements and notes to the financial statements to enhance understanding of the TCPUD's financial performance. Financial Highlights:

- TCPUD's government-wide total assets exceeded liabilities (net position) at the close of the fiscal year by \$74.1 million. Of this amount, \$13.3 million is in unrestricted net position, which is available to meet TCPUD's ongoing commitment to citizens and creditors.
- TCPUD's governmental activities ended the year with total net position of \$31.3 million. Of this balance, \$5.8 million is unrestricted and available for spending at TCPUD's discretion.
- TCPUD's General Fund ended the year with a fund balance of \$10.2 million, an increase of \$2.8 million in comparison with the prior year. The non-spendable balance of \$0.168 million is for parks inventory on hand and prepaid expenditures.
- TCPUD has designated for the Proprietary Fund:
 - \$3.47 million for long-term capital replacement,
 - \$0.385 million for rolling stock replacement,
 - \$1.51 million for budget stabilization, and
 - \$1.60 million for property tax reserve
- TCPUD has assigned for General Fund:
 - \$0.87 million for long-term capital replacement, and
 - \$0.091 million for rolling stock replacement
- The TCPUD's total outstanding long-term debt decreased by \$0.665 million. All scheduled debt payments were made on time.
- The TCPUD has a total balance of \$1.21 million in the California Employers' Retiree Benefit Trust (CERBT) at December 31, 2015 available to fund post-employment benefits.

Operational Highlights:

- The TCPUD spent \$4.50 million and \$1.11 million on water and sewer capital assets and capital outlay for Parks and Recreation respectively.
- TCPUD combined operating revenue was less than budget by \$0.166 million largely due to water consumption revenue down to budget.
- During 2015 the TCPUD received approximately \$0.349 million for operating grants and \$0.373 million for capital grants; of which \$0.31 million were from the state revolving fund principle forgiveness grants for the West Lake Tahoe Regional Water Treatment Plant project.
- Operating expenses were better to budget by \$0.570 million. The cost savings are in the areas of consultant fees for special studies, snow removal, repairs and maintenance of TCPUD equipment and facilities, and travel and training.
- TCPUD will begin construction in 2016 on the Homewood Bike Trail. This project is estimated to cost \$1.6 million and is fully grant funded.
- 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

Management Discussion and Analysis, continued

- Substantial planning and design work on the West Lake Tahoe Regional Water Treatment Plan (WLTRWTP) took place. This project has an estimated cost of \$9.6 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.

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, technical services and engineering.

The government-wide financial statements can be found on pages 29 and 30 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-

Management Discussion and Analysis, continued

related legal requirements. All of the funds of the TCPUD can be divided into two categories: governmental funds and proprietary funds.

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

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

The TCPUD adopts an annual budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 33-36 of this report.

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

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

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund statements. The notes to the financial statements can be found on pages 40-71.

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 begin on page 72 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 and deferred inflows by \$74.14 million 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.

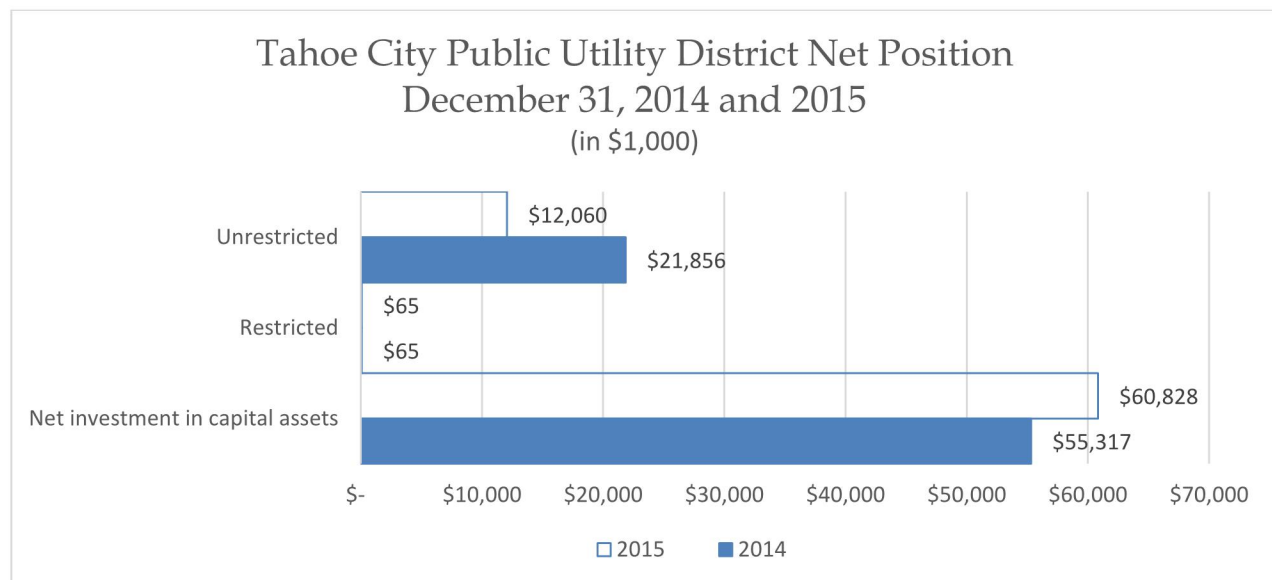
Management Discussion and Analysis, continued

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Assets:						
Cash and investments	\$ 7,868,962	\$ 5,757,365	\$ 9,880,893	\$ 11,141,126	\$ 17,749,855	\$ 16,898,491
Cash and investments – restricted	13,204	23,036	-	-	13,204	23,036
Receivables	3,015,244	2,328,287	949,589	726,393	3,964,833	3,054,680
Other current assets	168,226	93,903	561,906	364,654	730,132	458,557
Total current assets	11,065,636	8,202,591	11,392,388	12,232,173	22,458,024	20,434,764
Investments – restricted	-	-	64,923	65,000	64,923	65,000
Facility upgrade receivables	-	-	18,134	52,475	18,134	52,475
Other postemployment benefits, net	-	-	310,014	312,562	310,014	312,562
Net Pension Asset	-	-	-	1,477,278	-	1,477,278
Net capital assets	27,615,446	28,185,564	35,553,467	32,557,907	63,168,913	60,743,471
Total assets	38,681,082	36,388,155	47,338,926	46,697,395	86,020,008	83,085,550
Deferred outflows of resources	858,131	-	1,090,830	-	1,948,961	-
Liabilities:						
Payables and accruals	544,523	649,796	930,521	947,026	1,475,044	1,596,822
Unearned revenue	72,402	59,921	97,932	97,932	170,334	157,853
Long-term debt – current	648,610	625,403	41,100	39,579	689,710	664,982
Total current liabilities	1,265,535	1,335,120	1,069,553	1,084,537	2,335,088	2,419,657
Long-term debt - noncurrent	2,564,957	3,213,568	172,678	214,530	2,737,635	3,428,098
Net Pension Liability	3,488,683	-	4,434,705	-	7,923,388	-
Total liabilities	7,319,175	4,548,688	5,676,936	1,299,067	12,996,111	5,847,755
Deferred inflows of resources	889,256	-	1,130,395	-	2,019,651	-
Net position:						
Net Investment in capital assets	25,488,414	23,012,867	35,339,690	32,303,799	60,828,104	55,316,666
Restricted	-	-	65,000	65,000	65,000	65,000
Unrestricted	5,842,368	8,826,600	6,217,735	13,029,529	12,060,103	21,856,129
Total net position	\$ 31,330,782	\$ 31,839,467	\$ 41,622,425	\$ 45,398,328	\$ 72,953,207	\$ 77,237,795

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

Management Discussion and Analysis, continued

assets themselves cannot be used to liquidate these liabilities. TCPUD has pledged \$0.746 million for 2016 debt payments from property tax revenue.



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 2015 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 decreased \$.51 million from the prior fiscal year for an ending balance of \$31.33 million. The decrease is a result of an increase in change in net position offset by the impacts of implementing GASB 68.

Business-type Activities. Business-type activities reflect private sector-type operations, such as water and sewer services and the related engineering and technical service departments. User fees are typically charged to cover all or most of the costs of operation, including depreciation. The TCPUD usually covers cash operating costs with user fees but subsidizes capital expenditures with a portion of general property tax transfers from the governmental operation due to the low customer density of its service area and the high costs of environmental compliance in the Lake Tahoe Basin. In 2015 no operating transfers occurred.

Management Discussion and Analysis, continued

For the TCPUD's business-type activities, net position decreased by \$3.78 million from the prior year for an ending balance of \$4.62 million. The decrease is a result of the impacts of an increase in change in net position offset by the impacts of implementing GASB 68.

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Expenses:						
Direct expenses	\$ 4,586,195	\$ 4,416,756	\$ 6,866,957	\$ 5,790,525	\$ 11,453,152	\$ 10,207,281
Indirect expenses	(123,271)	163,378	(314,768)	1,182,049	(438,039)	1,345,427
Total expenses	<u>4,462,924</u>	<u>4,580,134</u>	<u>6,552,189</u>	<u>6,972,574</u>	<u>11,015,113</u>	<u>11,552,708</u>
Program Revenues:						
Charges for services	608,297	628,803	8,915,708	8,408,012	9,524,005	9,036,815
Operating grants and contributions	349,078	334,610	-	-	349,078	334,610
Capital grants and contributions	373,169	968,622	-	202,026	373,169	1,170,648
Total program revenues	<u>1,330,544</u>	<u>1,932,035</u>	<u>8,915,708</u>	<u>8,610,038</u>	<u>10,246,252</u>	<u>10,542,073</u>
Net revenue (expense)	<u>(3,132,380)</u>	<u>(2,648,099)</u>	<u>2,363,519</u>	<u>1,637,464</u>	<u>(768,861)</u>	<u>(1,010,635)</u>
General Revenues:						
Property taxes	6,314,533	5,713,528	23,287	23,287	6,337,820	5,736,815
Investment earnings	88,257	51,736	118,439	104,797	206,696	156,533
Total general revenues □	<u>6,402,790</u>	<u>5,765,264</u>	<u>141,726</u>	<u>128,084</u>	<u>6,544,516</u>	<u>5,893,348</u>
Change in net position	<u>\$ 3,270,410</u>	<u>\$ 3,117,165</u>	<u>\$ 2,505,245</u>	<u>\$ 1,765,548</u>	<u>\$ 5,775,655</u>	<u>\$ 4,882,713</u>

For the year, net position increased an additional \$5.78 million and netted with the GASB 68 prior period adjustment in the amount of \$10.06 million resulted in a year on year decrease in net position of \$4.28 million.

	Changes in Net Position		
	Governmental Activities	Business-type Activities	Total
Net position - Beginning as previously reported	\$ 31,839,467	\$ 45,398,328	\$ 77,237,795
Prior period restatement - GASB 68 adjustment	<u>(3,779,095)</u>	<u>(6,281,148)</u>	<u>(10,060,243)</u>
Beginning net position restated	28,060,372	39,117,180	67,177,552
Add change in net position	<u>3,270,410</u>	<u>2,505,245</u>	<u>5,775,655</u>
Net position - Ending	<u>\$ 31,330,782</u>	<u>\$ 41,622,425</u>	<u>\$ 72,953,207</u>

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.

At December 31, 2015, the TCPUD's governmental funds reported combined fund balances of \$10.27 million, an increase of \$2.85 million in comparison with the prior year. Approximately 89%

Management Discussion and Analysis, continued

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 (\$0.17 million) and, 2) assigned for particular purposes (\$0.96 million). The general fund is the chief operating fund of the TCPUD.

General Fund Budgetary Highlights

Parks and Recreation operating fees and other revenue were under budget by \$0.052 million which is largely due to decline in kayak rentals due to drought. Property tax collection exceeded budget by \$0.78 million attributable to RDA Pass-Through and Proposition 8 catch-ups. Grant revenue was less than budget by \$0.93 million which bears a direct relation to reimbursable capital expenditures. Overall, Public Works – Parks direct expenses were \$0.16 million below budget due to reduced spending for consulting fees, repairs and maintenance, lower utilities, and administration costs. Recreation direct expenses were more or less on target to 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, 2015 amounts to \$63.2 million (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 4.0%.

	Governmental		Business-type		Total	
	Activities		Activities			
	2015	2014	2015	2014	2015	2014
Land	\$ 5,251,592	\$ 5,251,592	\$ -	\$ -	\$ 5,251,592	\$ 5,251,592
Intangible License	150,000	150,000	-	-	150,000	150,000
Facilities	19,273,751	18,905,702	27,260,824	27,046,975	46,534,575	45,952,677
Office building and equipment	2,130,042	2,180,290	3,725,997	3,441,226	5,856,039	5,621,516
Construction in progress	810,061	1,697,980	4,566,646	2,069,706	5,376,707	3,767,686
Total capital assets, net	\$ 27,615,446	\$ 28,185,564	\$ 35,553,467	\$ 32,557,907	\$ 63,168,913	\$ 60,743,471

In 2015, the TCPUD spent \$5.32 million on capital items for the benefit of the community. Some of the significant projects for water and sewer were the Tahoe City Residential Sewer System Rehabilitation, West Shore Export Crossing Repair, Tahoe City Well Bunker Replacement, and the West Lake Tahoe Regional Water Treatment Plant project.

Some of the significant projects for parks and recreation were Kilner Park Tennis Court Replacement, Administration Office Security Upgrades, completion of the Lake Forest Boat Ramp Rehabilitation, and planning and design work on the Homewood Bike Trail and Truckee River Trail Stabilization and Restoration.

The following table presents the TCPUD's more significant capital additions during 2014 and 2015:

Management Discussion and Analysis, continued

	Additions to Capital Assets	
	2014	2015
Governmental Activities		
Administration Office Remodel	\$ 57,683	\$ -
Administration Office Security Upgrades	-	50,252
Bear Box Installations	-	29,295
Commons Beach Sand Replacement	6,110	18,697
Admin & Rideout Copier Replacements		36,174
Dog Park Improvements	16,656	
Erosion control projects	183,393	
Homewood Bike Trail	46,054	47,496
Picnic Table Replacements		29,738
Kilner Park Tennis Court Replacement	30,892	290,762
Lake Forest Boat Ramp Rehab	808,650	300,563
Lake Forest Boat Ramp Security Cameras		20,313
Lakeside Trail Interpretive Panels		14,766
Rideout gym floor and kitchen	7,890	
Tahoe City Golf Improvements	77,137	42,750
Truckee River Trail Stabilization and Restoration	41,355	46,810
Truckee River Bike Trail Overlay	15,041	38,186
Vehicles and Equipment	73,896	69,993
Other projects	42,831	80,200
Total governmental activities	1,407,588	1,115,993
Business-type Activities		
Alpine Peaks Sewer Line Rehab	-	213,741
Bunker Water Tank Replacement	108,006	157,535
Dollar II Sewer Line Replacement	90,603	
Dollar/Edgewater Sewer Line Replacement	46,378	40,163
Grouse Dr & Upper Ellis WLR	924,623	6,327
Highway 89 Conductor Casing Crossings	231,751	135,813
Lake Forest water acquisition & improvements	5,990	10,501
Old Dollar Pt Pump Station/PRV Mod	1,139	
Pump Upgrades	143,058	114,617
Quail & Rocky Ridge Tank Recoating		267,301
St. Francis Condos Water Line Replacement		107,558
Tahoe City Well #1 (Bunker) Replacement	58,197	697,902
Tahoe City Main Emergency Water Supply	57,300	39,046
Tahoe City Residential Sewer System Rehabilitation	93,416	1,102,458
Tahoma Meadows Mutual Water Company	30,487	
West Lake Tahoe Regional Water Treatment Plant	266,292	307,930
West Shore Export Crossing Repair	108,878	880,399
Woodview to 4 Seasons Tank Line & Water Main	5,182	
Vehicles & mobile equipment	123,194	249,345
Other projects	176,146	181,641
Total business-type activities	2,470,640	4,512,277
Total TCPUD	\$ 3,878,228	\$ 5,628,270

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 \$9.98 million 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 May 2016. The TCPUD has secured a large portion of grant money to help fund this project. Also, in 2017 the West Lake Tahoe Regional Water Treatment Plant, will break ground. TCPUD staff are pursuing grant funds to offset the project cost.

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, 2015 the TCPUD utilized \$43.4 million of gross depreciable capital assets at historical cost, consisting primarily of recreational facilities, in its Governmental Activities, and \$74.7 million of gross depreciable capital assets at historical cost, consisting primarily of water and sewer plants, in its Business-type Activities. TCPUD's minimum capital reserves for water, sewer, and non-water customers are \$1.63 million, \$1.84 million, and \$1.60 million respectively for a total of \$5.06 million. Amounts for rolling stock for water and sewer are \$0.385 million. General Fund designations are \$0.87million and \$0.91 million for minimum capital reserves and rolling stock. 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 a 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 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

Management Discussion and Analysis, continued

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 development of the 2014 water and sewer study examined the adequacy of the current water and sewer rates, and provides the basis for adjustments to rates 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 2016-2020 capital budget includes \$44.1 million in its five year capital plan of which \$12.3 million in capital grants are identified. The capital plan calls for \$20.8 million for water, \$11.3 million for sewer, \$9.3 million for Parks and Recreation, \$0.675 million for Administrative Services, and \$1.97 million for vehicles. The new water and sewer rate structure, grant funding, and some level of capital financing make this level of capital improvements possible.

Long-term Debt. At the end of the current fiscal year, the TCPUD had total bonded debt outstanding of \$3.4 million. Of this amount, \$2.07 million is debt backed by the full faith and credit of the government and \$0.264 million 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 \$1.08 million.

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
General obligation bonds	\$2,076,980	\$2,406,555	\$ -	\$ -	\$2,076,980	\$2,406,555
Special assessment bonds with governmental commitments	50,052	62,566	\$213,778	\$254,109	263,830	316,675
Pension related debt	1,086,535	1,369,850	-	-	1,086,535	1,369,850
Total long-term debt	\$3,213,567	\$3,838,971	\$213,778	\$254,109	\$3,427,345	\$4,093,080

Management Discussion and Analysis, continued

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 or seek grant funding.

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 Governmental Accounting Standards Board (GASB) issued its Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27* ("GASB 68"), with new pension reporting requirements for employers. GASB also issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68* ("GASB 71"), to clarify the transition year provisions of GASB 68. TCPUD has implemented both GASB statements and has recorded a net pension liability of \$7.9 million to the Government Wide Statement of Net Position.

The TCPUD has negotiated for employees to contribute to their required pension contributions and, beginning January 1, 2015, employees will pay the full 8% as well as participate with paying down TCPUD's unfunded accrued liability. The TCPUD has paid off it's almost \$2.3 million side fund liability through a pension refunding bond due to mature in 2019. The proceeds from the bonds were rolled into a multi-agency risk pool and are in addition to the unfunded liabilities of the risk pool.

Economic Factors and the 2016 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 25%. 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 and together with the communities help saved 36% compared to the 2013 base measurement period established by the State. On May 18, 2016, the State Water Resources Control Board adopted a statewide water conservation approach that replaces the prior percentage reduction-based water conservation standard with a localized "stress test" approach that mandates urban water suppliers act now to ensure at least a three year supply of water to their customers under drought conditions. Recognizing persistent yet less severe drought conditions throughout California, the newly adopted emergency regulation will replace the February 2, 2016 emergency water conservation regulation that set specific water conservation benchmarks at the state level for each urban water supplier. Today's adopted regulation, which will be in effect through January 2017, requires locally developed conservation standards based upon each agency's specific circumstances. TCPUD plans to use this approach and demonstrate its ability to meet these standards.

The drought is not over with only one good season behind it and the State had the forethought to enable legislation to help local communities cope with the ongoing, devastating drought. The \$1

Management Discussion and Analysis, continued

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 continued drought TCPUD's budget reflects the new normal of realized less consumption revenue. However, consumption represents only 23.5% of the water revenue budget so the impacts won't be as dramatic. The remainder 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 70% 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.

Workforce housing challenges is gaining visibility at a regional level in the North Tahoe, Truckee, and the surrounding areas and TCPUD will remain engaged in the process. Lead by the Tahoe Truckee Community Foundation a regional workforce housing needs assessment was prepared early in 2015 and served as the springboard for other activities and reports addressing the workforce housing issues.

Toward the end of 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.

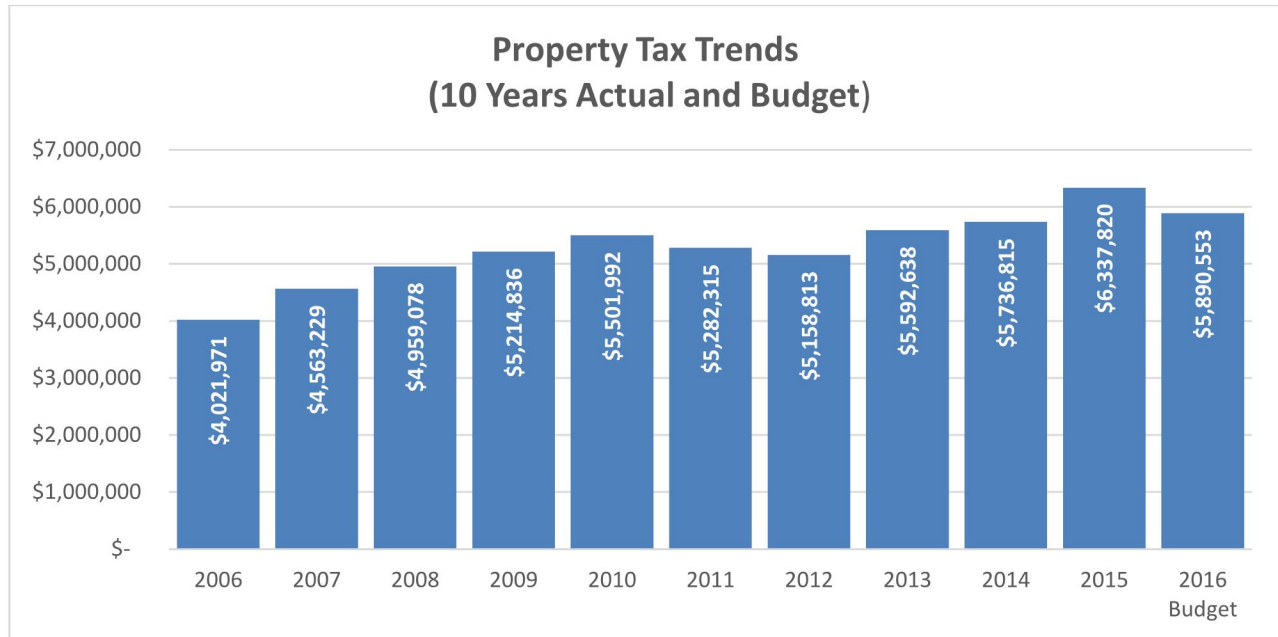
Property taxes are a significant source of revenue for the TCPUD. In prior years this revenue source has grown relatively rapidly due to average annual growth in assessed values and saw moderate increase, and even declines in assessed valuation until most recently with the recovery of assessed values.

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. Also, when market values drop below the Proposition 13 assessed values property tax will also decline since property tax is based on assessed values. However, now that property values are recovering, property tax are higher due to triggering Proposition 8 catch-up provisions. Proposition 8, passed in 1978 by California voters, allows for temporary declines in market property value below the Propositions 13 assessed levels and later allows for property to increase more than the 2% cap up to the maximum Proposition 13 levels. The 2016 budget projects an increase of 6.1% to 2015 budget, however; the 2016 budget property tax is lower than 2015 actual collected due to Proposition 8 catch-ups. 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 collection and the 2016 budget. The rise in the 2015 actuals is a result of unbudgeted pass-through related to

Management Discussion and Analysis, continued

the dissolution of the Resource Development Agencies and Proposition 8 catch-ups, up to the maximum of the 2% cap for Proposition 13 assessed levels. The last ten years of actual property tax collected has seen an average increase of 4.1%



The TCPUD's 2016 budget was adopted by the Board of Directors on November 20, 2015 by Resolution 15-35.

The 2016 TCPUD budgeted revenues, excluding property tax, are decreasing 1.0% over the 2015 budget even with water rate increases that are based on the HDR 2014 water and sewer rate study. This decrease is due to a decline in water consumption and related summer concession revenue as a result of the drought.

Though the development of the HDR 2014 water and sewer rate study 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 TCPUD, the study could not have anticipated the State of California water conservation mandates.

On July 1, 2014, HDR provided the Board with preliminary results of the 2014 water and sewer rate study and, at the July 18, 2014 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 2016 water rates were set to the 2016 Proposition 218 rates as published in the notice with the exception of residential tier 1, which remained at the 2015 rate. Sewer rates also remained at the 2015 rates due to sewer activities better to budget performance.

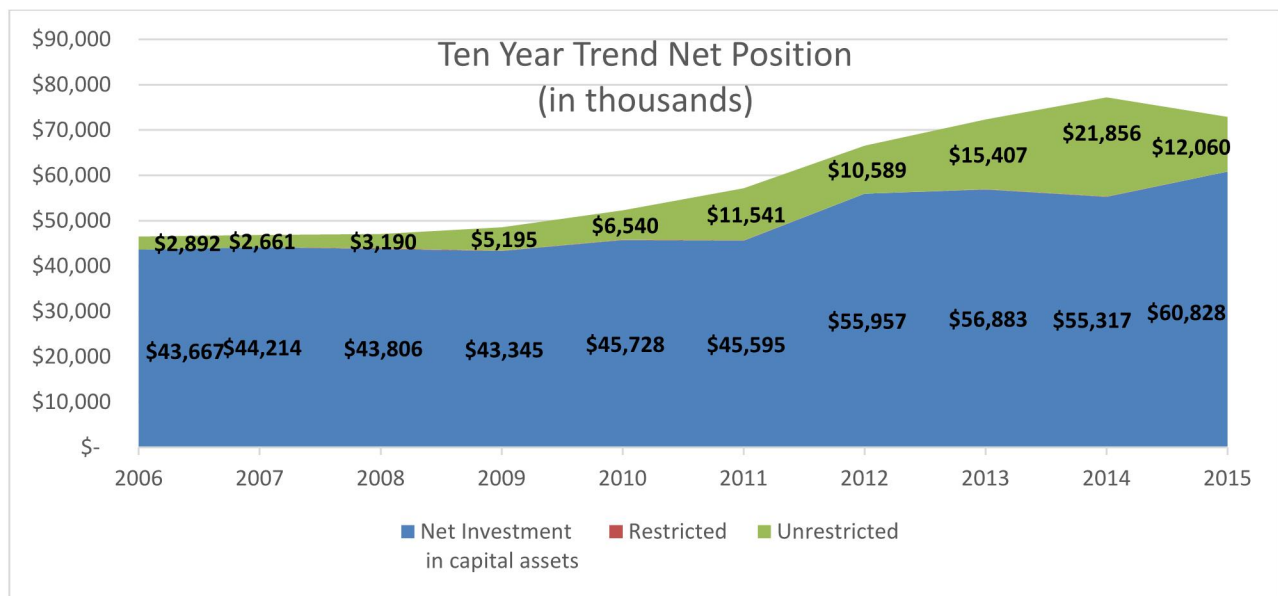
Parks and Recreation revenue (excluding property tax) represents 9.8% of the TCPUD-wide operating revenue and is projected to decrease by 2.0% from the 2015 budget largely due to decreased kayak concession fees due to drought. Also, when appropriate, modest increases for recreation programs will occur to help recover the full cost of these services.

Management Discussion and Analysis, continued

The adopted TCPUD 2016 budget operating expense (excluding depreciation) totals \$9.8 million, which represents a 7.2% increase over the amended 2015 operating expense budget largely due to the general salary and benefit increases and increases in material and supplies. The 2016 Capital Plan of \$10.8 million is comprised of TCPUD-funded capital budget of \$6.6 million and \$4.2 million of grant funded capital. Capital spending is up 2.3% over last year and grant funds secured and identified up 132.0% due to secured Homewood Bike Trail funds and identified funds for the West Lake Tahoe Regional Water Treatment Plant.

Summary

The TCPUD’s overall financial health and flexibility have continued to improve over the last ten years. The 2015 fiscal year saw a decline in restricted-net position due to the implementation of GASB 68. The following chart below shows the ten year of changes in the components of net position.



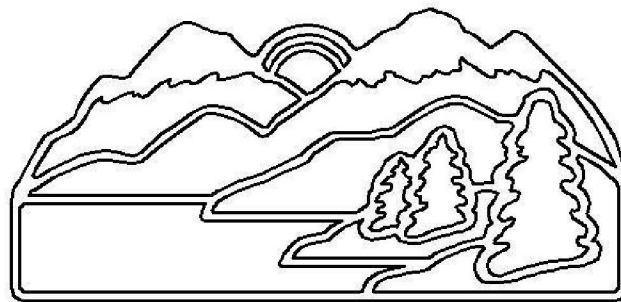
The TCPUD invested approximately \$5.6 million in water, sewer, and parks infrastructure, with an emphasis on the Tahoe City Residential Sewer System Rehabilitation, West Shore Export Crossing Repair, Kilner Park Tennis Court Replacement, and preparing for the \$9.4 million West Lake Tahoe Regional Water 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.

Basic Financial Statements

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Government-Wide Financial Statements

- Statement of Net Position
- Statement of Activities and Change in Net Positions

Tahoe City Public Utility District
Statement of Net Position
December 31, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 7,868,962	\$ 9,880,893	\$ 17,749,855
Restricted cash and investments	13,204	-	13,204
Receivables:			
Accounts	-	314,163	314,163
Interest	-	324	324
Taxes	2,752,543	-	2,752,543
Grants	346,798	449,720	796,518
Other	70,345	44,966	115,311
Allowance for Doubtful Accounts	(4,727)	(9,299)	(14,026)
Short-term internal balances	(149,715)	149,715	-
Inventories	50,324	270,386	320,710
Prepaid items and other assets	117,902	291,520	409,422
	<u>11,065,636</u>	<u>11,392,388</u>	<u>22,458,024</u>
Noncurrent assets:			
Restricted cash and investments	-	64,923	64,923
Facility improvement receivables	-	18,134	18,134
Other postemployment benefits, net	-	310,014	310,014
Capital assets:			
Non-depreciable	6,211,653	4,566,646	10,778,299
Depreciable, net	21,403,793	30,986,821	52,390,614
Total capital assets, net	<u>27,615,446</u>	<u>35,553,467</u>	<u>63,168,913</u>
Total noncurrent assets	<u>27,615,446</u>	<u>35,946,538</u>	<u>63,561,984</u>
Total assets	<u>38,681,082</u>	<u>47,338,926</u>	<u>86,020,008</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows	<u>858,131</u>	<u>1,090,830</u>	<u>1,948,961</u>
LIABILITIES			
Current liabilities:			
Accounts payable	145,761	291,893	437,654
Accrued payroll and benefits payable	49,547	134,111	183,658
Employee medical reimbursement payable	43,294	-	43,294
Interest payable	18,320	-	18,320
Deposits payable	21,829	197,442	219,271
Other liabilities	109,790	120,505	230,295
Unearned revenue	72,402	97,932	170,334
Compensated absences-due within one year	155,982	186,570	342,552
Short-term internal balances	-	-	-
Long-term debt-due within one year	648,610	41,100	689,710
Total current liabilities	<u>1,265,535</u>	<u>1,069,553</u>	<u>2,335,088</u>
Noncurrent liabilities:			
Long-term debt-due in more than one year	2,564,957	172,678	2,737,635
Net pension liability	3,488,683	4,434,705	7,923,388
Total liabilities	<u>7,319,175</u>	<u>5,676,936</u>	<u>12,996,111</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows	<u>889,256</u>	<u>1,130,395</u>	<u>2,019,651</u>
NET POSITION			
Net Investment in capital assets	<u>25,488,414</u>	<u>35,339,690</u>	<u>60,828,104</u>
Restricted for:			
Guarantee permit and payment performance	-	65,000	65,000
Total restricted	<u>-</u>	<u>65,000</u>	<u>65,000</u>
Unrestricted	<u>5,842,368</u>	<u>6,217,735</u>	<u>12,060,103</u>
Total net position	<u>\$ 31,330,782</u>	<u>\$ 41,622,425</u>	<u>\$ 72,953,207</u>

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

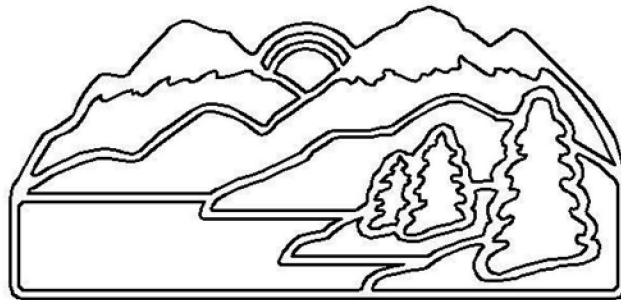
Statement of Activities

Tahoe City Public Utility District
Statement of Activities and Changes in Net Position
For the year ended December 31, 2015

	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	\$ 3,788,125	\$ (193,091)	\$ 318,032	\$ 328,242	\$ 373,169	\$ 1,019,443	\$ (2,575,591)	\$ -	\$ (2,575,591)
Recreation	691,660	69,820	290,265	20,836	-	311,101	(450,379)	-	(450,379)
Interest on long-term debt (unallocated)	106,410	-	-	-	-	-	(106,410)	-	(106,410)
Total governmental activities	4,586,195	(123,271)	608,297	349,078	373,169	1,330,544	(3,132,380)	-	(3,132,380)
Business-type activities:									
Water	3,971,701	(180,623)	4,481,783	-	-	4,481,783	-	690,705	690,705
Sewer	2,895,256	(134,145)	4,433,925	-	-	4,433,925	-	1,672,814	1,672,814
Total business-type activities	6,866,957	(314,768)	8,915,708	-	-	8,915,708	-	2,363,519	2,363,519
Total primary government	\$ 11,453,152	\$ (438,039)	\$ 9,524,005	\$ 349,078	\$ 373,169	\$ 10,246,252	(3,132,380)	2,363,519	(768,861)
General Revenues:									
Property taxes							6,314,533	23,287	6,337,820
Investment earnings							88,257	118,439	206,696
Transfers							-	-	-
Total general revenues and transfers							6,402,790	141,726	6,544,516
Change in net position							3,270,410	2,505,245	5,775,655
Net Position - Beginning as previously reported							31,839,467	45,398,328	77,237,795
Prior period restatement (Note 16)							(3,779,095)	(6,281,148)	(10,060,243)
Net position - Ending							\$ 31,330,782	\$ 41,622,425	\$ 72,953,207

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

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Fund Financial Statements

- Governmental Funds
 - Balance Sheet
 - Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position of Governmental Activities
 - Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds
 - 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

- Proprietary Fund
 - Statement of Net Position
 - Statement of Revenues, Expenses and Changes in Net Position
 - Statement of Cash Flows

Tahoe City Public Utility District
Balance Sheet – Governmental Funds
December 31, 2015

	General	Debt Service	Total Governmental Funds
ASSETS			
Cash	\$ 7,868,962	\$ -	\$ 7,868,962
Restricted cash	13,204	-	13,204
Receivables:			
Taxes	2,752,543	-	2,752,543
Grants	346,798	-	346,798
Other	56,274	14,071	70,345
Allowance for Doubtful Accounts	(4,727)		(4,727)
Inventory	50,324		50,324
Prepaid items and other assets	117,902		117,902
Total assets	<u>\$ 11,201,280</u>	<u>\$ 14,071</u>	<u>\$ 11,215,351</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 145,761	\$ -	\$ 145,761
Accrued payroll and benefits payable	49,547	-	49,547
Employee medical reimbursement payable	43,294	-	43,294
Deposits payable	21,829	-	21,829
Other liabilities	109,790	-	109,790
Short-term internal balances	493,796	8,470	502,266
Unearned revenue	67,147	5,255	72,402
Total liabilities	<u>931,164</u>	<u>13,725</u>	<u>944,889</u>
Fund Balances:			
Non-Spendable	168,226	-	168,226
Assigned			
Long-term equipment and capital replacement	964,493	-	964,493
Unassigned fund balance			
General Fund	9,137,397	346	9,137,743
Total fund balances	<u>10,270,116</u>	<u>346</u>	<u>10,270,462</u>
Total liabilities and fund balances	<u>\$ 11,201,280</u>	<u>\$ 14,071</u>	<u>\$ 11,215,351</u>

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, 2015

Total Fund Balances - Governmental Funds \$ 10,270,462

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

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

Non-depreciable	6,211,653
Depreciable, net	21,403,793
Total capital assets, net	<u>27,615,446</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>(18,320)</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>352,551</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	(155,982)
Long-term debt - due within one year	(648,610)
Long-term debt - due in more than one year	<u>(2,564,957)</u>
Total long-term liabilities	<u>(3,369,549)</u>

Long-term pension liability, which is based on GASB 68 reporting requirements, is not due and payable in the current period and therefore is not reported in the governmental funds.

Net pension liability	(3,488,683)
Deferred outflows, related to pension expense	858,131
Deferred inflows, related to pension expense	<u>(889,256)</u>
Total long-term pension liability	<u>(3,519,808)</u>

Total Net Position of Governmental Activities \$ 31,330,782

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, 2015

	General	Debt Service	Total Governmental Funds
REVENUES:			
Fees	\$ 429,122	\$ 13,769	\$ 442,891
Property taxes	5,591,955	722,578	6,314,533
Interest	88,204	7	88,211
Grants	706,453	-	706,453
Other	224,313	46	224,359
Total revenues	7,040,047	736,400	7,776,447
EXPENDITURES:			
Current:			
Public works - Parks	2,310,188	-	2,310,188
Recreation	651,605	-	651,605
Other operating	109,790	-	109,790
Capital outlay	1,115,993	-	1,115,993
Debt service:			
Principal	-	625,403	625,403
Interest	-	110,940	110,940
Total expenditures	4,187,576	736,343	4,923,919
REVENUES OVER EXPENDITURES	2,852,471	57	2,852,528
Net change in fund balances	2,852,471	57	2,852,528
FUND BALANCES:			
Beginning of year	7,417,645	289	7,417,934
End of year	<u>\$ 10,270,116</u>	<u>\$ 346</u>	<u>\$ 10,270,462</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, 2015

Net Change in Fund Balances - Governmental Funds \$ 2,852,528

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. 1,115,993

Disposal on capital assets was reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they did not require the use of current financial resources. Therefore, not reported in the Governmental Funds. (27,852)

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. (1,658,259)

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. 93,854

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. 625,403

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.

Change in compensated absences	4,926
Change in accrued interest	4,530
Reduction of pension expense based on GASB 68 adjustments	259,287

Change in Net Position of Governmental Activities \$ 3,270,410

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, 2015

	<u>Water and Sewer Fund</u>
ASSETS	
Current assets:	
Cash and investments	\$ 9,880,893
Receivables:	
Accounts	314,163
Grants	449,720
Interest	324
Other	44,966
Allowance for Doubtful Accounts	(9,299)
Short-term internal balances	502,266
Inventories	270,386
Prepaid items and other assets	<u>291,520</u>
Total current assets	<u>11,744,939</u>
Noncurrent assets:	
Restricted cash and investments	64,923
Facility improvement receivables	18,134
Other postemployment benefits, net	310,014
Capital assets:	
Non-depreciable assets	4,566,646
Depreciable assets, net	<u>30,986,821</u>
Total capital assets, net	<u>35,553,467</u>
Total noncurrent assets	<u>35,946,538</u>
Total assets	<u>47,691,477</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows	<u>1,090,830</u>
LIABILITIES	
Current liabilities:	
Accounts payable	291,893
Accrued payroll and benefits payable	134,111
Deposits payable	197,442
Other liabilities	120,505
Unearned revenue	97,932
Compensated absences	186,570
Long-term debt - due within one year	<u>41,100</u>
Total current liabilities	<u>1,069,553</u>
Noncurrent liabilities:	
Net Pension Liability	4,434,705
Long-term debt - due in more than one year	<u>172,678</u>
Total noncurrent liabilities	<u>4,607,383</u>
Total liabilities	<u>5,676,936</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows	<u>1,130,395</u>
NET POSITION	
Net Investment in capital assets	35,339,690
Restricted for:	
Guarantees of permit performance	65,000
Unrestricted (Note 9)	<u>6,570,286</u>
Total net position	<u>41,974,976</u>
Elimination of water services charged to the governmental funds	<u>352,551</u>
Net position of business-type activities	<u>\$ 41,622,425</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, 2015

	Water and Sewer Fund
OPERATING REVENUES:	
Service and inspection fees	\$ 8,595,335
Connection fees	30,630
Penalties and discounts	67,408
Grant revenue	59,373
Other	<u>125,522</u>
Total operating revenues	<u>8,878,268</u>
OPERATING EXPENSES:	
Personnel	2,343,731
Operations	2,812,713
Depreciation	<u>1,507,800</u>
Total operating expenses	<u>6,664,244</u>
OPERATING INCOME	<u>2,214,024</u>
NONOPERATING REVENUES (EXPENSES):	
Property taxes	23,287
Interest income	118,439
Proceeds from sales of capital assets	10,355
Interest expense	<u>(4,626)</u>
Total nonoperating revenues (expenses)	<u>147,455</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	2,361,479
Capital contributions	<u>237,620</u>
Change in net position	2,599,099
NET POSITION:	
Net Position - Beginning as previously reported	45,657,025
Prior Period Restatement (Note 16)	(6,281,148)
Beginning of year	<u>39,375,877</u>
End of year	<u>\$ 41,974,976</u>
RECONCILIATION OF CHANGE IN NET POSITION:	
Change in net position for proprietary fund	\$ 2,599,099
Elimination of water services charged to the governmental funds	<u>93,854</u>
Change in net position for business-type activities	<u>\$ 2,505,245</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, 2015

	Water and Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$ 8,601,340
Payments to suppliers	(2,892,345)
Payments to employees	(2,720,378)
Internal activity - receipts from other funds	(10,486)
Other receipts	(79,724)
Net cash provided by operating activities	<u>2,898,407</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Property taxes received	23,287
Net cash provided by noncapital financing activities	<u>23,287</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition of capital assets	(4,503,360)
Proceeds from sales of capital assets	10,355
Grants received	237,620
Principal payments on long-term debt	(40,331)
Interest paid on long-term debt	(4,626)
Net cash used by capital and related financing activities	<u>(4,300,342)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest received	118,338
Net cash provided by investing activities	<u>118,338</u>
Net decrease in cash and cash equivalents	(1,260,310)
CASH AND CASH EQUIVALENTS	
Beginning of year	11,206,126
End of year	<u>\$ 9,945,816</u>
CASH AND CASH EQUIVALENTS	
Cash and cash equivalents	\$ 9,880,893
Restricted cash and cash equivalents	64,923
Total cash and cash equivalents	<u>\$ 9,945,816</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ 2,214,024
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,507,800
Changes in assets and liabilities:	
(Increase) Decrease in:	
Accounts receivable	(83,998)
Grants receivable	(186,807)
Other receivable	(44,957)
Allowance for Doubtful	9,299
Facilities improvement receivables	34,341
Due from/ to other funds	(10,486)
Inventories	(28,083)
Prepaid items and other assets	(169,169)
Other post employment benefits	1,479,826
Deferred outflows	(1,090,830)
Increase (Decrease) in:	
Accounts payable	(51,549)
Accrued payroll and benefits	(36,203)
Deposits payable	(3,736)
Deferred inflows	1,130,395
Net pension liability and other liabilities	4,523,080
Compensated absences	(13,392)
Prior Period Restatement (Note 16)	(6,281,148)
Net cash provided by operating activities	<u>\$ 2,898,407</u>

Notes to the Basic Financial Statements

Tahoe City Public Utility District
Notes to the Basic Financial Statements
For the year ended December 31, 2015

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, 2015.

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 the Basic Financial Statements
For the year ended December 31, 2015**

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 the Basic Financial Statements
For the year ended December 31, 2015**

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 and technical services 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 the Basic Financial Statements
For the year ended December 31, 2015**

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 the Basic Financial Statements
For the year ended December 31, 2015**

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, benches, and conservation kits. Change in the inventory balances are reported 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. Costs 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 the Basic Financial Statements
For the year ended December 31, 2015**

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, 2015, 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 to future period(s) and will not be recognized as an outflow of resource (expense/expenditure) until then.

**Tahoe City Public Utility District
Notes to the Basic Financial Statements
For the year ended December 31, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

I. Deferred Outflows/Inflows of Resources, continued

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 the Basic Financial Statements
For the year ended December 31, 2015**

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. Pensions

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

N. Net Position

Government-Wide Financial Statements

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

Net Investment in Capital Assets – 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.

**Tahoe City Public Utility District
Notes to the Basic Financial Statements
For the year ended December 31, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

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

O. 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.

P. Current Government Accounting Standard Board Statements Implementation

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement no. 68*. This statement requires that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. See note 10 for more information.

**Tahoe City Public Utility District
Notes to the Basic Financial Statements
For the year ended December 31, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Q. Future Government Accounting Standard Board Statements

These statements are not effective until December 31, 2015 or later. The District has not determined the effects on the financial statements.

Government Accounting Standards Board Statement No. 72

In February 2015 GASB issued Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. The statement provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. Application of this statement is effective for the District's fiscal year ending December 31, 2016.

Government Accounting Standards Board Statement No. 75

In June, 2015 GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions ("OPEB") and would replace GASB statements 45 and 57. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to OPEB. Application of this statement is effective for the District's fiscal year ending December 31, 2017.

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.

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 is \$436,186 at December 31, 2015. Bank balances were \$712,399 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.

**Tahoe City Public Utility District
Notes to the Basic Financial Statements
For the year ended December 31, 2015**

2. CASH AND INVESTMENTS, Continued

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, 2015, include a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments include the following:

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, 2015, the District had \$596,110 invested with LAIF and \$16,717,084 invested with the Placer County Treasurer. LAIF had invested 2.31% 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 0.4000 to total investments held by both. At December 31, 2015, the LAIF and Placer County Treasurer balance did not reflect an amortized cost of \$6,556 which approximates the fair market value.

C. Summary of Cash & Investments

The following is a summary of cash and investments at December 31, 2015:

**Tahoe City Public Utility District
Notes to the Basic Financial Statements
For the year ended December 31, 2015**

2. CASH AND INVESTMENTS, Continued

	Government-Wide Statement of Net Assets		
	Governmental Activities	Business-Type Activities	Total
Operating cash deposits	\$ -	\$ 436,186	\$ 436,186
Imprest and other	175	300	475
Investments	7,868,787	9,444,407	17,313,194
Total cash and investments	7,868,962	9,880,893	17,749,855
Current - Restricted cash and investments	13,204		13,204
Noncurrent-Restricted cash and investments		64,923	64,923
Total All	\$ 7,882,166	\$ 9,945,816	\$ 17,827,982

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, 2015, 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, 2015, 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.

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 \$78,127. This amount breaks out as follows: \$64,923 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 \$13,204, was in the District's Section 125 medical reimbursement account which is restricted for the sole use of the District's employees.

**Tahoe City Public Utility District
Notes to the Basic Financial Statements
For the year ended December 31, 2015**

3. INTERFUND TRANSACTIONS

A. Due to/due from other funds

Short term interfund loans between funds at December 31, 2015 were as follows:

		Due to other funds		
		<u>General Fund</u>	<u>Water and Sewer</u>	<u>Total</u>
Due from other funds	Water and Sewer	\$ 493,796	\$ -	\$ 493,796
	Debt Service	-	8,470	8,470
		\$ 493,796	\$ 8,470	\$ 502,266

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 2015 there were no transfers to the Water and Sewer Enterprise fund.

4. CAPITAL ASSETS

A. Government-Wide Financial Statements

At December 31, 2015, the District's capital assets consisted of the following:

Tahoe City Public Utility District
Notes to the Basic Financial Statements
For the year ended December 31, 2015

4. CAPITAL ASSETS, Continued

	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	810,061	4,566,646	5,376,707
	<u>6,211,653</u>	<u>4,566,646</u>	<u>10,778,299</u>
Total non-depreciable assets			
Depreciable assets:			
Water and sewer plant	-	66,448,965	66,448,965
Recreational facilities	38,868,330	-	38,868,330
Office building and equipment	4,149,182	6,736,394	10,885,576
Vehicles	418,323	1,494,943	1,913,266
	<u>43,435,835</u>	<u>74,680,302</u>	<u>118,116,137</u>
Total depreciable assets			
Less accumulated depreciation:			
Water and sewer plant	-	(39,188,141)	(39,188,141)
Recreational facilities	(19,594,579)	-	(19,594,579)
Office building and equipment	(2,161,137)	(3,496,737)	(5,657,874)
Vehicles	(276,326)	(1,008,603)	(1,284,929)
	<u>(22,032,042)</u>	<u>(43,693,481)</u>	<u>(65,725,523)</u>
Total accumulated depreciation			
Net depreciable assets	<u>21,403,793</u>	<u>30,986,821</u>	<u>52,390,614</u>
Total capital assets, net	<u><u>\$ 27,615,446</u></u>	<u><u>\$ 35,553,467</u></u>	<u><u>\$ 63,168,913</u></u>

**Tahoe City Public Utility District
Notes to the Basic Financial Statements
For the year ended December 31, 2015**

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, 2015	Additions	Retirements	Transfers/ Reclassifications	Balance as of December 31, 2015
Capital assets, not being depreciated:					
Land	\$ 5,251,592	\$ -	\$ -	\$ -	\$ 5,251,592
Non-depreciable license	150,000	-	-	-	150,000
Construction in progress	1,697,980	766,893		(1,654,812)	810,061
Total capital assets, not being depreciated	7,099,572	766,893	-	(1,654,812)	6,211,653
Capital assets, being depreciated:					
Recreational facilities	37,068,649	1,838,053	(38,372)		38,868,330
Office building and equipment	4,001,323	165,859	(18,000)		4,149,182
Vehicles	418,323	-	-		418,323
Total capital assets, being depreciated	41,488,295	2,003,912	(56,372)	-	43,435,835
Less accumulated depreciation for:					
Recreational facilities	(18,162,947)	(1,448,152)	16,520	-	(19,594,579)
Office building and equipment	(1,988,758)	(184,379)	12,000	-	(2,161,137)
Vehicles	(250,598)	(25,728)	-	-	(276,326)
Total accumulated depreciation	(20,402,303)	(1,658,259)	28,520	-	(22,032,042)
Net capital assets being depreciated	21,085,992	345,653	(27,852)	-	21,403,793
Governmental activities capital assets, net	<u>\$ 28,185,564</u>	<u>\$ 1,112,546</u>	<u>\$ (27,852)</u>	<u>\$ (1,654,812)</u>	<u>\$ 27,615,446</u>

Depreciation expense for capital assets during the year ended December 31, 2015 was charged to the different activities as follows:

Public works - parks	\$ 1,607,989
Recreation	50,270
Total	<u>\$ 1,658,259</u>

**Tahoe City Public Utility District
Notes to the Basic Financial Statements
For the year ended December 31, 2015**

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, 2015	Additions	Retirements	Transfers/ Reclassifications	Balance as of December 31, 2015
Capital assets, not being depreciated:					
Construction in progress	\$ 2,069,706	\$ 4,262,932	\$ -	\$ (1,765,992)	\$ 4,566,646
Total capital assets, not being depreciated	2,069,706	4,262,932	-	(1,765,992)	4,566,646
Capital assets, being depreciated:					
Water and sewer plant	65,042,348	1,406,617	-		66,448,965
Office building and equipment	6,252,777	493,147	(9,530)	-	6,736,394
Vehicles	1,432,933	115,574	(53,564)		1,494,943
Total capital assets, being depreciated	72,728,058	2,015,338	(63,094)	-	74,680,302
Less accumulated depreciation for:					
Water and sewer plant	(37,995,373)	(1,192,768)			(39,188,141)
Office building and equipment	(3,301,735)	(203,182)	8,180		(3,496,737)
Vehicles	(942,749)	(111,850)	45,996		(1,008,603)
Total accumulated depreciation	(42,239,857)	(1,507,800)	54,176	-	(43,693,481)
Net capital assets being depreciated	30,488,201	507,538	(8,918)	-	30,986,821
Business-type activities capital assets, net	\$ 32,557,907	\$ 4,770,470	\$ (8,918)	\$ (1,765,992)	\$ 35,553,467

Depreciation expense for capital assets for December 31, 2015 was charged to the different activities as follows:

Water	\$ 880,607
Sewer	627,193
Total	<u>\$ 1,507,800</u>

**Tahoe City Public Utility District
Notes to the Basic Financial Statements
For the year ended December 31, 2015**

5. UNEARNED REVENUE

Government-Wide Financial Statements

At December 31, 2015, 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	10,847	5,255	16,102	-	16,102	
Placer County MSA	13,753		13,753		13,753	
Water system studies grant	-	-	-	97,932	97,932	
Total	\$ 67,147	\$ 5,255	\$ 72,402	\$ 97,932	\$ 170,334	

6. LONG TERM DEBT

The following is a summary of long-term debt transactions for the year ended December 31, 2015:

	Maturity Date	Interest Rate	Balance January 1, 2015	Additions	Retirements	Balance December 31, 2015	Current Portion	Due in More than One Year
Governmental Activities								
Sidewalk Improvement Bonds	2019	6.02%	\$ 62,566	\$ -	\$ (12,514)	\$ 50,052	\$ 12,513	\$ 37,539
Zions Bank Loan	2017	4.30%	691,582	-	(220,792)	470,790	230,389	240,401
State Water Resources Control Board Taxable Pension Obligation	2028	1.80%	1,714,973	-	(108,783)	1,606,190	110,744	1,495,446
Refunding Bonds	2019	4.05%	1,369,850	-	(283,315)	1,086,535	294,964	791,571
Total Governmental activities			\$ 3,838,971	\$ -	\$ (625,404)	\$ 3,213,567	\$ 648,610	\$ 2,564,957
Business-Type Activities								
2001 Refunding Bonds								
Series C	2021	6.05%	\$ 254,109	-	\$ (40,331)	\$ 213,778	\$ 41,100	\$ 172,678
Total Business-type activities			\$ 254,109	\$ -	\$ (40,331)	\$ 213,778	\$ 41,100	\$ 172,678

Tahoe City Public Utility District
Notes to the Basic Financial Statements
For the year ended December 31, 2015

6. LONG TERM DEBT, Continued

Future principal and interest payments on all long-term debt were as follows at December 31, 2015:

For the Year Ending 12/31	Governmental Activities			
	Zions Bank Loan		State Water Resources Control Board	
	Principal	Interest	Principal	Interest
2016	230,389	17,794	110,744	28,960
2017	240,401	7,780	112,741	26,963
2018	-	-	114,773	24,930
2019	-	-	116,843	22,861
2020	-	-	118,949	20,754
2021-2025	-	-	627,700	70,817
2026-2028	-	-	404,440	14,671
	<u>\$ 470,790</u>	<u>\$ 25,574</u>	<u>\$ 1,606,190</u>	<u>\$ 209,956</u>

For the Year Ending 12/31	Governmental Activities			
	Pension Refunding Bonds		Sidewalk Improvement Bonds	
	Principal	Interest	Principal	Interest
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
2019	164,757	2,506	12,513	250
	<u>\$ 1,086,535</u>	<u>\$ 84,309</u>	<u>\$ 50,052</u>	<u>\$ 2,504</u>

For the Year Ending 12/31	Business-Type Activities	
	2001 Refunding Bonds Series C	
	Principal	Interest
2016	41,100	3,857
2017	41,490	3,073
2018	42,281	2,676
2019	43,087	1,870
2020-2021	45,820	632
	<u>\$ 213,778</u>	<u>\$ 12,108</u>

**Tahoe City Public Utility District
Notes to the Basic Financial Statements
For the year ended December 31, 2015**

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.

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.

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.

**Tahoe City Public Utility District
Notes to the Basic Financial Statements
For the year ended December 31, 2015**

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 2015 General Property Tax Pledged
Governmental Activities		
Bank of America Loan - 2011	334,527	5.3%
Zions Bank Loan	248,183	3.9%
State Water Resources Control Board	139,704	2.2%
2001 Refunding Bonds Series C	23,287	0.4%
Unpledged General Property Tax Revenues	<u>5,592,118</u>	<u>88.2%</u>
Total 2015 General Property Tax Revenues	<u>\$ 6,337,819</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.

8. COMPENSATED ABSENCES

Compensated absences balances and activity for the year ended December 31, 2015 were as follows:

	Balance			Balance		Due within
	January 1, 2015	Additions	Retirements	December 31, 2015	One Year	
Governmental Activities	\$ 160,908	\$ 142,648	\$ (147,574)	\$ 155,982	\$ 155,982	
Business-Type Activities	<u>199,962</u>	<u>205,420</u>	<u>(218,812)</u>	<u>186,570</u>	<u>186,570</u>	
Total	<u>\$ 360,870</u>	<u>\$ 348,068</u>	<u>\$ (366,386)</u>	<u>\$ 342,552</u>	<u>\$ 342,552</u>	

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

**Tahoe City Public Utility District
Notes to the Basic Financial Statements
For the year ended December 31, 2015**

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, 2015 is as follows. Non-spendable consists of prepaid items and inventory. The District has assigned \$873,693 for capital reserve and \$90,800 for rolling stock in the General Fund for the long-term replacement of capital assets within the District Parks and Recreation.

Non-Spendable	\$ 168,226
Assigned	
Capital Reserve -capital	873,693
Capital Reserve-rolling stock	90,800
Unassigned fund balance	<u>9,137,397</u>
Total Fund Balance General Fund	<u>\$ 10,270,116</u>

The District designated the unrestricted net position of the proprietary fund at December 31, 2015 as follows:

Designated for:	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Minimum Capital Reserve	\$ 1,633,600	\$ 1,837,800	\$ 3,471,400
Rolling Stock	192,700	192,700	385,400
Budget Stabilization	768,960	747,716	1,516,676
Property tax reserve - water	1,595,469	-	1,595,469
Total designated net position - proprietary activities			<u>6,968,945</u>
Undesignated			<u>(398,659)</u>
Total unrestricted net position proprietary fund			<u>\$ 6,570,286</u>

10. PENSION PLANS

General Information about the Pension Plans

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. All qualified regular and probationary employees are eligible to participate in the District’s Miscellaneous Employee Pension Plans, cost-sharing, multiple employer defined benefit pension plans administered by the California Public Employee’s Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

**Tahoe City Public Utility District
Notes to the Basic Financial Statements
For the year ended December 31, 2015**

10. PENSION PLANS, Continued

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with or without statutorily reduced benefits. The cost of living adjustments are applied as specified by the Public Employee’s Retirement Law. The 2.7% at 55 Miscellaneous Plan is closed to new entrants.

The Plans provision and benefits in effect at December 31, 2015 are summarized below:

Hire Date	Miscellaneous	
	Prior to January 1, 2013	After December 31, 2012
Benefit Formula	2.7 % @ 55	2.0 % @ 62
Benefit Vesting Schedule	5 years service	5 years service
Benefit Payments	monthly for life	monthly for life
Retirement Age	50-55	2.0 % @ 62
Monthly Benefits , a % of eligible compensation		
Required Employee Contribution Rates	8%	6.250% / 6.237%
Required Employer Contribution Rates (two rates due to calendar year fiscal close)	16.691% / 10.958%	6.250% / 6.237%

The 16.691 % is prior to CalPERS using a fixed UAL dollar amount beginning with valuation reports dated 6/30/2013.

Funding Policy

Each plan requires employee contributions equal to some percentage of the employees’ annual covered salary. During fiscal 2015 the employee paid 100% of the employee’s contribution. Before 2015 and 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 increased by an amount equal to 75% COLA applied for the same year until such time the employee is paying the entire employee contribution. Beginning with 2015 employees were paying their full employee contribution.

Section 20814(c) of the California Public Employee’s Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Fund contributions for all Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

**Tahoe City Public Utility District
Notes to the Basic Financial Statements
For the year ended December 31, 2015**

10. PENSION PLANS, Continued

For the year ended December 31, 2015, the contributions for the plan were as follows:

	Miscellaneous	
	Classic	PEPRA
Contributions - Employer	\$ 439,180	\$ 19,512
Contributions - Employee	\$ 279,709	\$ 19,535

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

As of December 31, 2015, the District reported net pension liabilities for its proportionate shares of the net pension liability of \$7,923,388.

Beginning net pension, December 31, 2014	\$ 6,833,108
Pension Expense	1,619,662
Employer contribution	(458,692)
Net new deferred in flows / outflows	(70,690)
	<u>\$ 7,923,388</u>

The District's net pension liability is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2015, and the total pension liability to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability as of June 30, 2014 and June 30, 2015 was as follows:

	Miscellaneous	
	Classic	PEPRA
Proportion - June 30, 2014	0.00229421	N/A
Proportion - June 30, 2015	0.00246928	0.00000031
Change - decrease (increase)	(0.00017507)	N/A

For the year ended December 31, 2015 the District recognized pension expense of \$1,619,662. At December 31, 2015 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to the measurement date	\$ 333,726	\$ -
Difference between expected and actual experiences	46,558	
Difference between actual ER contributions & ER share of total contributions		266,770
Changes in assumptions		440,487
Adjustment due to differences in proportions	470,974	
Net differences between projected and actual earnings on plan investments	1,097,703	1,312,393
	<u>\$ 1,948,961</u>	<u>\$ 2,019,651</u>

**Tahoe City Public Utility District
Notes to the Basic Financial Statements
For the year ended December 31, 2015**

10. PENSION PLANS, Continued

The \$333,726 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended	
<u>December 31</u>	<u>Amount</u>
2016	(230,798)
2017	(230,798)
2018	(217,246)
2019	274,426
2020	0
Thereafter	0

Actuarial Assumptions

The total pension liabilities in the December 31, 2015 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Projected Salary Increase	Varies by Entry Age and Service
Mortality ⁽¹⁾	Derived using CalPERS membership data for all funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter.

(1) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications

Allocation Amongst District Funds

The net pension liability has been allocated to the District's enterprise funds based on their relative annual pensionable wages.

**Tahoe City Public Utility District
Notes to the Basic Financial Statements
For the year ended December 31, 2015**

10. PENSION PLANS, Continued

Changes in Assumptions

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate was changed from 7.50% (net of administrative expense in 2014) to 7.65% as of the June 30, 2015 measurement date to correct the adjustment which previously reduced the discount rate for administrative expenses.

Discount Rate

The discount rate used to measure the total pension liability was 7.65%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans ran out of assets. Therefore, the current 7.65% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65% will be applied to all plans in the Public Employee's Retirement Fund (PERF). The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from the CalPERS website under the GASB 68 section.

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

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

The long-term expected real rates by asset class can be found in CalPERS' Comprehensive Annual Financial Report for the fiscal year ended June 30, 2015.

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

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

	Discount Rate -1% (6.5%)	Current Discount Rate (7.5%)	Discount Rate + 1% (8.5%)
Plan's Net Pension Liability / (Asset)	\$ 13,288,075	\$ 7,923,388	\$ 3,494,216

**Tahoe City Public Utility District
Notes to the Basic Financial Statements
For the year ended December 31, 2015**

10. PENSION PLANS, Continued

Pension Plan Fiduciary Net Position

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

Pension Assets

In fiscal year 2011, the District prepaid its unfunded PERS side fund in the amount of \$2,242,000. In 2003 CalPERS combined the retirement plans for all public agencies with "small" plans to reduce the volatility of employer contribution rates. CalPERS also created for each member agency a so-called Side Fund to amortize each agency's June 30, 2003 unfunded liability over a fixed term at a fixed interest rate. The PERS side fund represents the District's specific liability that was assumed by the District at the time of this CalPERS pooling process. This prepayment was recorded as a net pension asset and amortized over a 7.5 year period. The unamortized balance of \$1,477,278 of pension assets at December 31, 2014 was used to offset the District's net pension liability.

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 2015, the District paid \$144,092 toward retiree medical premiums and \$29,537 for retiree dental and vision claims, which amounted to \$173,629, as contributions to OPEB. TCPUD also placed \$84,032 into the

CERBT, to be applied towards the OPEB obligation. This provided for \$257,661 as total contributions in 2015 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 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:

Tahoe City Public Utility District
Notes to the Basic Financial Statements
For the year ended December 31, 2015

11. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS, Continued

Annual required contribution	\$ 255,300
Interest adjustment	4,909
Annual OPEB Expense	<u>260,209</u>
Contribution made	<u>257,661</u>
Decrease in net OPEB asset	(2,548)
Net OPEB Asset - beginning of year	<u>312,562</u>
Net OPEB Asset - end of year	<u><u>\$ 310,014</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, 2015 and the last four previous fiscal years are as follows:

Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Asset
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
2015	\$ 260,209	99.0%	\$ 310,014

Funded Status and Funding Progress - As of December 31, 2015, the actuarial accrued liability for benefits was \$3,224,930 of which \$1,219,504 was funded in the CERBT. The covered payroll (annual payroll of active employees covered by the plan) was \$3,587,632 and the ratio of the unfunded actuarial liability to the covered payroll was 55.9%.

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.

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.

**Tahoe City Public Utility District
Notes to the Basic Financial Statements
For the year ended December 31, 2015**

11. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS, Continued

The funding method used is entry age normal cost. Plan assets are valued at fair market value at December 31, 2015. 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, 2015 was 24 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, 2015</u>	<u>September 30, 2014 *</u>
Total assets	\$ 194,775,717	\$ 195,584,006
Deferred Outflows	625,033	-
Total liabilities	113,620,777	107,626,833
Deferred Inflows	846,155	-
Total net assets	80,933,818	87,957,173
Total operating revenues	157,661,735	142,014,403
Total operating expenses	164,195,428	149,684,189

** Not restated for effects of GASB 68 implementation*

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For workers' compensation, property, liability, errors and omissions and public employee dishonesty insurance, the District has joined together with other special districts within the State to form the ACWA-JPIA.

ACWA-JPIA provides coverage for up to a maximum of \$2,000,000 for each workers' compensation claim, \$50,000 for each property claim, and \$1,000,000 for each general liability claim. ACWA-JPIA also purchases excess coverage from commercial insurers for up to the statutory limits for each workers' compensation claim, \$100,000,000 for each property claim and \$60,000,000 for each general liability claim.

The property insurance coverage contains deductibles of \$2,500 for each occurrence. The District also has a retention level of \$25,000 for auto and general liability insurance. None of the District's claims have exceeded insured amounts for the prior three years.

The District pays premiums to the ACWA-JPIA for general liability and property insurance based upon actuarial calculations and pays workers' compensation insurance based upon actual payroll classified into

**Tahoe City Public Utility District
Notes to the Basic Financial Statements
For the year ended December 31, 2015**

12. RISK MANAGEMENT (Continued)

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 2015, 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 \$26,486 at December 31, 2015.

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 32 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 the Basic Financial Statements
For the year ended December 31, 2015**

15. RELATED PARTY TRANSACTIONS, Continued

For fiscal year 2015 the District has contracted with AEC for the following projects and provided payments in the amounts as follows:

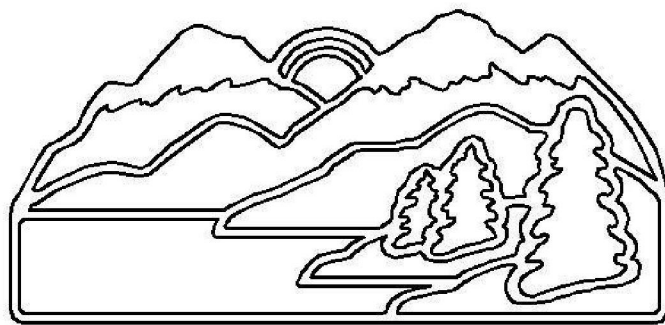
<u>Project Name</u>	<u>Amount</u>
Wetlands Monitoring	\$ 1,331
Woodview to Four Seasons	2,475
Tahoe City Main Emergency Water Supply	31,674
Tahoe City Well No. 2 & 3 Easement	1,288
Grouse Dr. & Upper Ellis Rd. Water Line Replacement	2,540
Highway 89 Cond Casing Crossing Phase 2	29,615
Tahoe City Sewer System Rehabilitation	49,061
West Shore Export Crossing	33,229
Dollar / Edgewater Lakefront Sewer Line Rehabilitation	1,378
Alpine Peaks Sewer Line Rehabilitation	30,152
Dollar 1 (Edgewater) Backup Power	49,280
Truckee River Trail Stabilization & Restoration	8,604
Truckee River Trail Pavement Rehabilitation	27,868
	<u>\$ 268,495</u>

16. PRIOR PERIOD RESTATEMENT

As a result of implementing GASB Statement No. 68, TCPUD has restated the beginning net position in the government-wide Statement of Net Position, effectively decreasing net position as of December 31, 2015 by \$3,779,095 in governmental activities and \$6,281,148 in business-type activities.

	<u>Changes in Net Position</u>		<u>Total</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	
Net position - Beginning as previously reported	\$ 31,839,467	\$ 45,398,328	\$ 77,237,795
Prior period restatement - GASB 68 adjustment	<u>(3,779,095)</u>	<u>(6,281,148)</u>	<u>(10,060,243)</u>
Beginning net position restated	28,060,372	39,117,180	67,177,552
Add change in net position	<u>3,270,410</u>	<u>2,505,245</u>	<u>5,775,655</u>
Net position - Ending	<u>\$ 31,330,782</u>	<u>\$ 41,622,425</u>	<u>\$ 72,953,207</u>

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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, 2015

Budgetary Comparison Schedule - General Fund

	Budget Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Fees	\$ 481,600	\$ 481,600	\$ 429,122	\$ (52,478)
Property taxes	4,807,251	4,807,251	5,591,955	784,704
Interest	47,465	47,465	88,204	40,739
Grants	1,637,654	1,637,654	706,453	(931,201)
Other	197,730	197,730	224,313	26,583
Total revenues	7,171,700	7,171,700	7,040,047	(131,653)
EXPENDITURES:				
Current:				
Public works - Parks	2,469,365	2,469,365	2,310,188	159,177
Recreation	641,769	641,769	651,605	(9,836)
Other operating	183,511	183,511	109,790	73,721
Capital outlay	2,453,232	2,453,232	1,115,993	1,337,239
Total expenditures	5,747,877	5,747,877	4,187,576	1,560,301
REVENUES OVER EXPENDITURES	1,423,823	1,423,823	2,852,471	1,428,648
OTHER FINANCING SOURCES (USES):				
Proceeds from sales of asset	360	360	-	(360)
Transfers out to other funds			-	-
Total other financing sources (uses)	360	360	-	(360)
REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ 1,424,183	\$ 1,424,183	2,852,471	\$ 1,428,288
FUND BALANCES:				
Beginning of year			7,417,645	
End of year			\$ 10,270,116	

Tahoe City Public Utility District
 Required Supplementary Information
 As of June 30, 2015 (Measurement Date)

Schedule of the District's Proportionate Share
 of the Net Pension Liability
 Last Ten Years*

	Classic Miscellaneous Plan	PEPRA Miscellaneous Plan
Proportion of the net pension liability	0.240062%	0.000040%
Proportionate Share of the Net Pension Liability	\$ 6,732,831	\$ 32
Plan's Covered - Employee Payroll	\$ 3,275,079	\$ 312,553
Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	205.58%	0.01%
Plan's Fiduciary Net Position	\$ 26,157,242	\$ 4,358
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage the Plan's Total Pension Liability	77.66%	103.08%

Notes to Schedule:

Changes in benefit terms - In 2015, there were no changes to the benefit terms.

Changes in assumptions - In 2015, the discount rate was changed from 7.5% (net of administrative expense) to 7.65% to correct for an adjustment to exclude administrative expenses.

Tahoe City Public Utility District
 Required Supplementary Information
 For the year ended December 31, 2015

Schedule of Contributions – CalPERS

CalPERS Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan
 Last Ten Years*

	2015
Actuarially determined contribution	\$ 333,726
Contributions in relation to the actuarially determined contributions	333,726
Contributions deficiency (excess)	\$ -
Covered Payroll	\$ 3,587,632
Contributions as a percentage of converged-employee payroll	9.30%
Valuation Date:	6/30/2015
Methods and assumptions used to determine contribution rates:	
Actuarial Cost Method	Entry Age Normal
Amortization Method	For details, see CalPERS June 30, 2012 funding valuation report.
Remain Amortization Period	15 years
Asset Valuation Method	Actuarial value of assets. For details, see CalPERS June 30, 2012 funding valuation report.
Inflation	2.75%
Salary Increased	Varies by entry age and service
Investment Rate of Return	investment and administration expenses;
Retirement Age	The probabilities of retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study rates for the period from 1997 to 2007. Pre-retirement and post-retirement mortality rates include 5 year of projected mortality improvement using Scale AA published by the Society of Actuaries

*Fiscal Year 2015 was the first year of implementation, therefore only one year is shown.

Tahoe City Public Utility District
 Required Supplementary Information
 For the year ended December 31, 2015

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)
12/31/2011	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%
12/31/2015	1,219,504	3,224,930	2,005,426	37.8%	3,561,408	56.3%

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 79-81

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

Revenue Capacity 82-83

These schedules contain information to help assess the District’s most significant local revenue source—property tax, water, sewer, and capital grants.

Demographic and Economic Information 84

These schedules offer demographic and economic indicators to help understand the environment within which the District’s financial activities take place.

Operating Information 85-89

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

		Fiscal Year										
		2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	
Tahoe City Public Utility District												
Net Position by Component												
Last Ten Years												
(accrual basis of accounting)												
Governmental activities												
Net Investment												
in capital assets	\$ 25,488,414	\$ 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		
Restricted	-	-	-	-	-	-	-	-	-	-		
Unrestricted	5,842,368	8,826,600	3,149,351	349,651	1,642,768	1,122,150	702,001	684,901	612,381	740,098		
Total governmental activities net position	\$ 31,330,782	\$ 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		
Business-type activities												
Net Investment												
in capital assets	\$ 35,339,690	\$ 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		
Restricted	65,000	65,000	65,000	65,000	65,000	65,000	65,000	83,592	-	-		
Unrestricted	6,217,735	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		
Total business-type activities net position	\$ 41,622,425	\$ 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		
Primary Government												
Net Investment												
in capital assets	60,828,104	\$ 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		
Restricted	65,000	65,000	65,000	65,000	65,000	65,000	65,000	83,592	-	-		
Unrestricted	12,060,103	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		
Total primary government net position	\$ 72,953,207	\$ 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		

Change in Net Position

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

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Expenses:										
<i>Governmental activities:</i>										
Direct expenses	\$ 4,586,195	\$ 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
Indirect expenses	(123,271)	163,378	201,516	775,526	679,712	639,589	533,826	609,917	657,992	577,126
Total expenses	4,462,924	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
<i>Business-type:</i>										
Direct expenses	\$ 6,866,957	\$ 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
Indirect expenses	(314,768)	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
Total expenses	6,552,189	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
Program Revenue										
<i>Governmental activities:</i>										
Charges for services	608,297	628,803	678,198	601,878	504,867	467,704	471,928	462,159	431,039	412,618
Operating grants and contributions	349,078	334,610	305,861	367,184	374,326	297,996	366,644	310,358	287,041	249,982
Capital grants and contributions	373,169	968,622	257,535	4,346,031	2,194,414	1,157,357	60,519	217,104	866,486	3,735,139
Property taxes	6,314,533	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
Investment earnings	88,257	51,736	(1,790)	(268)	5,356	6,153	8,945	13,178	18,258	9,095
Transfers	-	-	-	-	(3,242,422)	(1,950,000)	(2,600,000)	(3,150,000)	(6,000,000)	(2,700,000)
Total program revenues	7,733,334	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
<i>Business-type</i>										
Charges for services	8,915,708	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
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
Property taxes	23,287	23,287	23,287	19,951	44,526	64,457	107,095	104,095	104,095	104,095
Investment earnings	118,439	104,797	104,964	70,904	36,632	27,086	45,335	71,830	106,363	97,817
Transfers	-	-	-	3,242,422	3,242,422	1,950,000	2,600,000	3,150,000	6,000,000	2,700,000
Total program revenues	9,057,434	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
Total Program Revenue										
Total Program Revenue	\$ 16,790,768	\$ 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
Net Expense										
<i>Governmental activities:</i>										
Business-type	\$ (4,462,924)	\$ (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)
Governmental activities:	(6,552,189)	(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)
Business-type	\$ (11,015,113)	\$ (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)

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									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General Fund										
Nonspendable	\$ 168,226	\$ 93,903	\$ 28,811	\$ 65,553	\$ 45,268	\$ 41,354	\$ -	\$ -	\$ -	\$ -
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	964,493	770,962	450,000	450,000	450,000	450,000	50,000	50,000	50,000	50,000
Unassigned	9,137,743	6,552,781	4,308,435	1,804,519	1,302,831	785,523	823,902	796,067	686,318	759,458
Total general fund	\$ 10,270,462	\$ 7,417,646	\$ 4,787,246	\$ 2,320,072	\$ 1,798,099	\$ 1,276,877	\$ 873,902	\$ 846,067	\$ 736,318	\$ 809,458

Tahoe City Public Utility District
Property Tax Uses
Last Ten Fiscal Years (unaudited)

Fiscal Year	Parks	% Change Inc. (Dec.)	Recreation	% Change Inc. (Dec.)	Debt/Service	% Change Inc. (Dec.)	Reserves / Capital Expenditures	% Change Inc. (Dec.)	Total	% Change Inc. (Dec.)
2006	\$ 923,245	-7.5%	\$ 377,191	20.8%	\$ 473,027	-5.5%	\$ 2,757,337	28.2%	\$ 4,530,800	14.4%
2007	\$ 1,166,078	26.3%	\$ 467,735	24.0%	\$ 489,770	3.5%	\$ 2,803,197	1.7%	\$ 4,926,780	8.7%
2008	\$ 1,372,165	17.7%	\$ 485,019	3.7%	\$ 745,015	52.1%	\$ 2,619,389	-6.6%	\$ 5,221,588	6.0%
2009	\$ 1,289,308	-6.0%	\$ 435,535	-10.2%	\$ 858,863	15.3%	\$ 2,897,494	10.6%	\$ 5,481,200	5.0%
2010	\$ 1,414,956	9.7%	\$ 408,705	-6.2%	\$ 819,476	-4.6%	\$ 2,619,389	-9.6%	\$ 5,262,526	-4.0%
2011	\$ 1,533,522	8.4%	\$ 380,080	-7.0%	\$ 966,637	18.0%	\$ 2,259,286	-13.7%	\$ 5,139,525	-2.3%
2012	\$ 1,272,563	-17.0%	\$ 503,378	32.4%	\$ 1,112,040	15.0%	\$ 2,381,131	5.4%	\$ 5,269,112	2.5%
2013	\$ 1,389,402	9.2%	\$ 285,373	-43.3%	\$ 961,632	-13.5%	\$ 2,956,231	24.2%	\$ 5,592,638	6.1%
2014	\$ 1,477,149	6.3%	\$ 317,206	11.2%	\$ 779,012	-19.0%	\$ 3,163,448	7.0%	\$ 5,736,815	2.6%
2015	\$ 1,645,483	11.4%	\$ 331,410	4.5%	\$ 745,865	-4.3%	\$ 3,615,062	14.3%	\$ 6,337,820	10.5%

Property Tax Uses

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
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
2015	\$ 317,870	\$ 314,474	\$ 290,234	\$ 20,836	\$ 943,413

Change in Assessed Value

Tahoe City Public Utility District Change in Assessed Value Last Ten Fiscal Years (unaudited)

Fiscal Year	Placer County		El Dorado County	
	Amount	% Change	Amount	% Change
2006/2007	\$ 2,504,131,135	10.30%	\$ 645,062,629	11.74%
2007/2008	\$ 2,773,439,283	10.75%	\$ 685,176,118	6.22%
2008/2009	\$ 2,955,707,044	6.57%	\$ 736,313,431	7.46%
2009/2010	\$ 3,111,993,414	5.29%	\$ 768,092,927	4.32%
2010/2011	\$ 3,051,254,116	-1.95%	\$ 732,614,803	-4.62%
2011/2012	\$ 3,048,547,806	-0.09%	\$ 741,840,985	1.26%
2012/2013	\$ 3,079,321,196	1.01%	\$ 753,402,523	1.56%
2013/2014	\$ 3,172,915,589	3.04%	\$ 805,564,963	6.92%
2014/2015	\$ 3,269,931,584	3.06%	\$ 871,792,785	8.22%
2015/2016	\$ 3,613,932,093	10.52%	\$ 943,137,812	8.18%

Full Time Staffing Levels

TAHOE CITY PUBLIC UTILITY DISTRICT

Full Time Staffing Levels

Last Ten Fiscal Years (unaudited)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Utilities	13.88	14.31	14	14	14	13	14	14	14	14
Administrative Services (frmly G&SS)	9.17	9.17	9	10	10	9	9.5	8	9	8
Engineering	5.63	5.08	4	4	3	3	2.5	3	3	3
Support Services (frmly Technical/Compliance Svcs)	4	4	4	4	4	4	4	4	4	4
Parks and Recreation Administration	1	1	1	2	2	2	2	2	2	2
Parks	6.22	6.44	5	5	5	5	5	5	5	4
Recreation	2	2	2	2	2	2	2	2	2	3
Budgeted not Filled					2					
Total	41.9	42	39	41	40	38	39	38	39	38

Full Time Equivalents

TAHOE CITY PUBLIC UTILITY DISTRICT Full Time Equivalents Last Four Fiscal Years (unaudited)

	2016	2015	2014	2013
Water	8.03	7.30	7.26	7.41
Sewer	8.33	7.58	7.55	7.97
Engineering	3.70	3.73	3.26	2.74
Support Services (frmly Technical/Compliance Svcs)	4.00	4.03	3.80	3.65
Projects	1.72	1.90	2.50	1.90
Parks	12.31	12.29	12.23	11.48
Recreation	6.95	6.92	6.94	6.88
Administrative Services (frmly G&SS)	9.92	9.57	9.60	9.83
Total	54.96	53.32	53.14	51.86

Ten years of FTE data not available

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	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Water	Customers	4,168	4,173	4,188	4,088	4,088	3,980	3,947	3,910	3,899	3,874
Sewer	Customers	7,665	7,645	7,636	7,636	7,636	7,504	7,466	7,443	7,362	7,363
Camp Skylandia	Enrolled Campers	736	641	615	601	692	637*	637*	637*	637*	637*
Concerts at Commons Beach	Individual Attendees	16,550	15,525	20,550	23,200	26,050	19,095	17,047	15,505	n/a	n/a
Tahoe City Golf Course	Rounds Played	12,832	9,974	11,637	11,060	n/a	n/a	n/a	n/a	n/a	n/a
Lake Forest Boat Ramp	Boats Launched	5,280	5,005	4,476	4,532	4,030	4,946	5,739	4,395	4,284	4,023

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	Residential	Commercial
	Monthly Water Base Rate .75" meter	Monthly Water Base Rate .75" meter	Monthly Water Base Rate	Monthly Water Base Rate
			Hotel Room w/Bath - per room	
2006	\$35.47	\$45.57	\$16.32	\$6.64
2007	\$37.24	\$47.85	\$16.81	\$6.84
2008	\$43.76	\$56.22	\$17.65	\$7.18
2009	\$47.00	\$58.00	\$20.76	\$8.45
2010	\$50.00	\$61.00	\$26.48	\$10.78
2011	\$52.00	\$63.00	\$29.13	\$11.86
2012	\$55.00	\$67.00	\$31.75	\$12.93
2013	\$55.00	\$67.00	\$34.61	\$14.09
2014	\$55.00	\$67.00	\$36.34	\$14.79
2015	\$59.00	\$71.00	\$38.41	\$15.63

Operating Indicators by Function

Tahoe City Public Utility District Operating Indicators by Function Last Ten Years

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Utilities:										
Water Production (million gallons)	604.9	645.4	593.5	501.5	456.5	415.7	482.7	470.8	413.7	329.0
Sewer Flows (million gallons)	416.5	311.6	269.8	256.7	256.2	314.6	258.3	238.1	200.3	176.8
Lineal feet of sewer mains televised	186,256	198,000	158,400	157,654	95,000	175,197	207,204	170,942	68,913	119,015
Lineal feet of sewer mains cleaned	528,000	528,000	519,000	517,000	422,000	409,260	483,856	287,084	440,013	252,854
Technical Services:										
Permits Issued - New	49	29	28	10	12	5	6	11	16	15
Permits Issued - Remodel	111	94	121	98	106	93	138	144	132	141
Number of Sewer Air Tests	244	219	184	198	221	251	310	304	326	297
Escrow Clearances Processed	430	164	84	124	150	169	202	240	219	204
Plan Checks Completed	72	148	139	92	108	88	140	144	169	161
Parks:										
Miles of trails Maintained	18	19	19	19	19	19	19	22	22	22
Number of Facility Rentals	NA	NA	5	247	174	150	173	154	179	246
Recreation:										
Numbers enrolled in Youth Programs	NA	NA	124	1369	1180	1123	643	1246	970	1080
Numbers enrolled in Adult Programs	NA	NA	18	159	139	154	158	113	178	147
Number of camp enrollees	NA	NA	NA	636	647	731	649	708	733	796