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**TAHOE CITY PUBLIC UTILITIES DISTRICT**  
Tahoe City, California

**REPORT TO MANAGEMENT  
FOR THE YEAR ENDED  
DECEMBER 31, 2014**

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**MANN, URRUTIA, NELSON, CPAS & ASSOCIATES, LLP**  
2515 VENTURE OAKS WAY, SUITE 135  
SACRAMENTO, CA 95833



## REPORT TO MANAGEMENT

June 1, 2015

To Management of Tahoe City Public Utility District  
Tahoe City, California

In planning and performing our audit of the financial statements of Tahoe City Public Utility District (the District) as of and for the year ended December 31, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

However, during our audit we became aware of two matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated June 1, 2015, on the financial statements of the District.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Sincerely,

A handwritten signature in black ink that reads "Mann Urrutia Nelson CPAs".

Mann, Urrutia, Nelson CPAs & Associates, LLP

**Tahoe City Public Utility District**  
**Communication of Control Deficiencies and Recommendations**

**Journal Entry Review**

Currently, there are no procedures in place for review of the Director of Accounting and Employee Service's journal entry submission. The District should consider having these journal entries reviewed by a separate party in order to avoid possibility of management override.

**Quarterly Financial Packet**

During our review of quarterly financial packets, we discovered that one of the quarterly financial packets had not been prepared or presented to the finance committee. In order to provide financial oversight, the finance committee should receive financial data timely.

**Tahoe City Public Utility District  
Status of Prior Year Recommendations**

**Inventory**

Based on our prior year recommendation, the District performed an inventory count for their water and sewer fund, valued the inventory, and recorded the balance on their general ledger. As this was the first year that inventory was recorded, we have the following recommendations to help establish a proper inventory system.

- Perform an annual inventory count, at a minimum.
- Reconcile perpetual records to actual counts and investigate any differences
- Establish a system to monitor usage and purchases.

A properly functioning inventory system will help generate more accurate interim financial statements and minimize the likelihood of making large physical inventory adjustments.

**Status: Implemented**

**Due to/from Account Balances**

Generally due to/from accounts are used to account for short-term interfund loans. Per our review of the District's due to/from accounts, it appears balances are accumulating and not being cleared out. We recommend that the District clear out their interfund due to/from accounts periodically. However, if the interfund loan is indeed considered long-term, we recommend the District utilize advances to/from accounts and generate an agreement for the repayment of funds.

**Status: Partially implemented. Due to/from account balances will be reconciled and eliminated when the enterprise fund is separated into two funds to account for water and sewer separately. This is expected during fiscal year 2015.**