

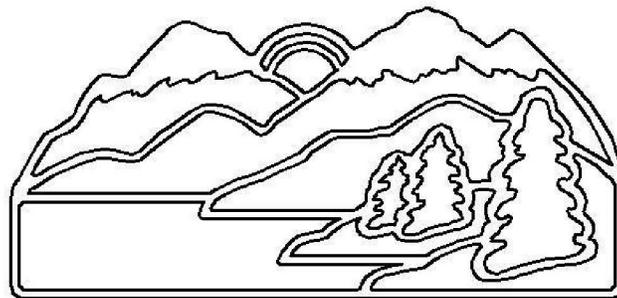
**Tahoe City  
Public Utility District**

**Tahoe City, California**

**Comprehensive  
Annual Financial Report  
For the Year Ended  
December 31, 2016  
With  
Independent Auditor's Report**

**Prepared by the Accounting Department**

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## Mission Statement

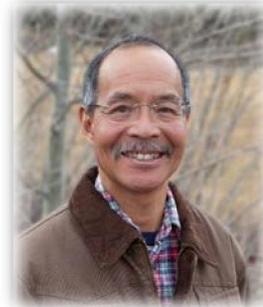
*The Mission of the Tahoe City Public Utility District  
is to serve the people, our community, and its environment.*

*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



*Judy Friedman - President*



*John Pang - Vice President*



*Scott Zumwalt - Director*



*Dan Wilkins - Director*



*Ron Treabess - Director*

From left to right: Judy Friedman, John Pang, Scott Zumwalt, Dan Wilkins, Ron Treabess

## 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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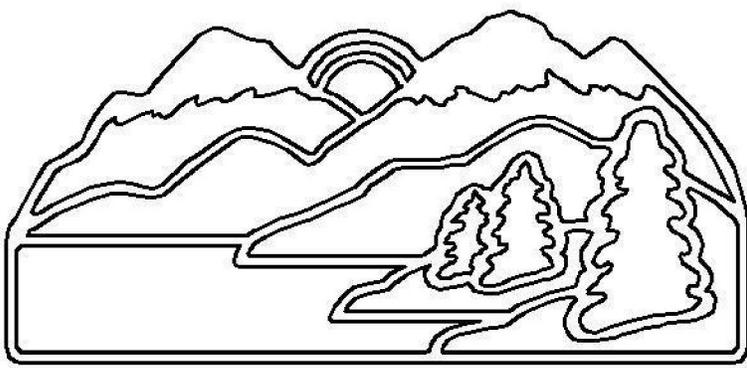
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# TAHOE CITY PUBLIC UTILITY DISTRICT

## BOARD OF DIRECTORS

Judy Friedman  
John Pang  
Ron Treabess  
Dan Wilkins  
Scott Zumwalt

## GENERAL MANAGER

Cindy Gustafson

## INTRODUCTORY SECTION Letter of Transmittal

**June 30, 2017**

**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, 2016. 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, 2016.

The purpose of this report is to communicate the fiscal condition of TCPUD. The report contains three major sections that present introductory, financial and statistical information about TCPUD.

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, 2016. 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.

## Financial Information

TCPUD's overall financial position improved in 2016. Net position government-wide at year end totaled \$80,423,192, increasing by \$7,469,989 at year end. The increase is attributable to increased investments and grant receivables and paying down of debt.

Revenues, excluding capital grants, are up \$1,420,913, due to property tax, an unexpected capital contribution, interest income, and consumption revenue. Excluding the impacts of GASB 68, operating expenses were better to budget by \$555,874.

General Fund unassigned fund balance decreased \$2,281,414, largely due to a transfer of property tax to the Proprietary Fund water reserves for purchase of a private water company in 2017. The Proprietary Fund undesignated net position increased \$1,151,498 as a result of operations.

A more detailed discussion of the government-wide financial information and operating results for the governmental activities, business activities and by major fund, including the General Fund, is provided in the MD&A portion of the Financial Section of the report.

## 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 - 4,165

Sewer customers - 7,676

Parks and Recreation customers - over 1,000,000

TCPUD operates and maintains 23 miles of bike trails, parks, a golf course for winter and summer activities, 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 direction 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, 45 full time employees and 60 seasonal employees provide the listed services. Employees serve in five departments: Utilities; Parks & Recreation; Engineering; and Governance & 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.

### Strategic Plan and Initiatives

TCPUD's Strategic Plan was updated and adopted by the Board of Directors on May 20, 2016. The Strategic Plan continues its focus on providing governmental excellence in leadership, efficiency and service. Sustainability is also a key focus for TCPUD as it continues to adopt to a dramatically evolving community and region.

Some of the external influences which play a significant role in District workloads and community impacts include: County and Regional planning efforts; significant demographic changes; workforce housing shortages; other agencies' projects; expanding community expectations; technological changes and opportunities; growing regulatory requirements; State requirements on small water systems; and climate change.

The Strategic Plan also focused on addressing internal issues that are affecting service delivery including: staffing levels; financial strain from growing employee benefit costs; the need for workforce training and development; administrative building and site constraints; and succession planning for Board and management staff.

The following strategic initiatives guides TCPUD annual goal-setting:

- Initiative 1 - Provide Exceptional District Management & Governance
- Initiative 2 - Ensure Safe and Sustainable Water and Sewer Services for all District Taxpayers
- Initiative 3 - Provide Sustainable, Customer Responsive, Recreation and Leisure Opportunities
- Initiative 4 - Maintain a High Performing Team of Professional Staff
- Initiative 5 - Protect and Improve District Infrastructure
- Initiative 6 - Ensure District's Long-Term Financial Sustainability
- Initiative 7 - Maintain Proactive Leadership with Community and Agency Partners

### 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 and boarding to golfing to boating and human powered recreation 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.

Lake Tahoe is one of the most regulated lakes in the United States. As development of the Lake Tahoe region grew, conservationists over many years lobbied for environment protection for Lake Tahoe. The Tahoe Regional Planning Agency (or TRPA) was formed in 1969 through a bi-state compact between California and Nevada that mandates TRPA to protect the environment of the Lake Tahoe Basin. Although, TCPUD closely monitors and abides by all TRPA rules and regulations, these rules and regulations directly impact the cost of services. By regularly reviewing revenue sources, commissioning water and sewer rate studies every five years, TCPUD continues to produce sustainable financial results in this highly regulated environment.

### Looking Forward

In 2017 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 water's and sewer's five-year capital plan of \$41,482,845. TCPUD is also actively pursuing grant funding and considering other financing activities for water and sewer capital. The remaining \$10,831,658, of the \$52,314,503 five-year capital plan, will be funded through property tax, grants and contributions.

Fiscal year 2016 marked the conclusion of the management agreement with Duncan Golf Management who has operated the golf course property and food and beverage operations for the last five years. The Board made the decision to have greater efficiency and responsiveness in provision of a variety services at the golf course and charged staff to make this happen. The 2017 Budget reflects the cost of providing increased service levels and activities in both summer and winter seasons at the golf course property, including the new ice rink operation. Fiscal year 2016 also saw the continuation of the State Water Conservation Mandate and the reduction in water consumption. TCPUD's customers responded with continued conservation efforts resulting in reduced water use and revenue. While most mandates have been removed for 2017, our budget and budget projections include this new and continued pattern of water use.

TCPUD will continue its commitment to providing extraordinary customer service and maintaining the Transparency Certificate of Excellence from the Special District Leadership Foundation. This certificate mandates implementation of the "best practices" in local government. Having achieved this goal, TCPUD sends a clear message that TCPUD continues its commitment to engaging the public and creating greater awareness of TCPUD's activities and its 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. TCPUD remains involved in community projects such as Fanny Bridge, the Tahoe Basin Area Plan (adopted January 25, 2017 by TRPA), and engaged with community partners on regional workforce housing challenges.

Staff will continue producing and maintaining forecasts, cash flow analysis, and a District combined five-year roll-up projection to ensure continued financial stability and sustainability. Staff will also continue to focus attention on changing circumstances: rising pension costs, health care costs, and impacts from the Affordable Care Act excise tax scheduled for implementation in 2020.

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. A special thank you to Robert J. McClintock, CPA, providing his expertise and knowledge to the Audit Committee. We want to thank Mann Urrutia and Nelson, our independent auditors, for their professionalism and assistance in performing this year-end financial audit. 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,

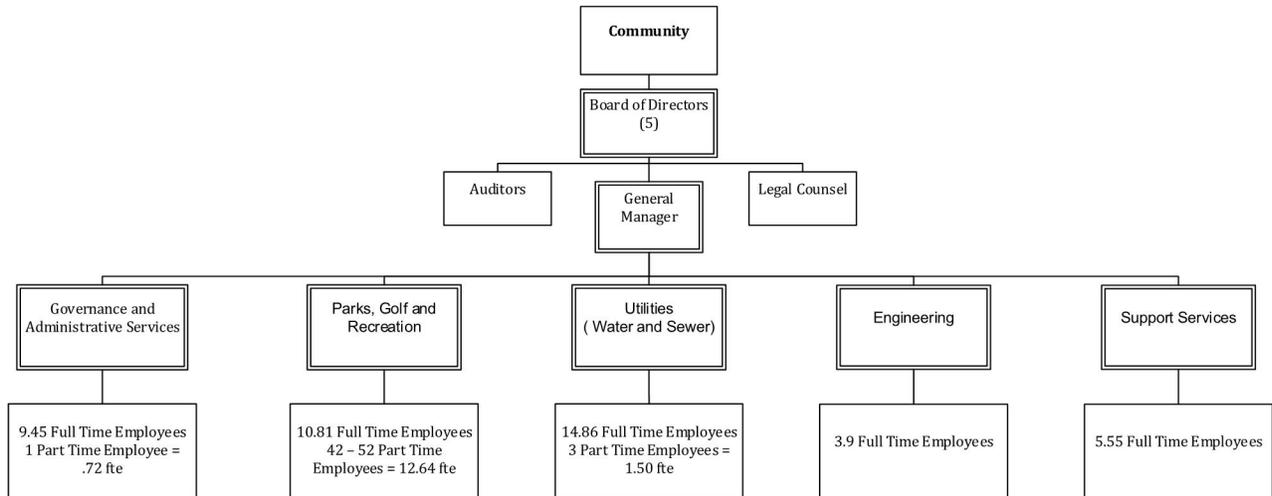


Cindy Gustafson  
General Manager



Ramona Cruz  
Chief Financial Officer/Treasurer

## TCPUD Wide Organizational Chart



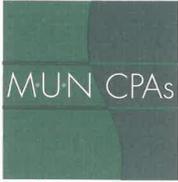
### List of Elected and Appointed Officials

#### Elected Officials

Board President	Judy Friedman	Term 2016-2020
Vice President	John Pang	Term 2014-2018
Board of Director	Scott Zumwalt	Term 2016-2020
Board of Director	Ron Treabess	Term 2016-2020
Board of Director	Dan Wilkins	Term 2014-2018

#### Appointed Officials

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



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Tahoe City Public Utility District  
Tahoe City, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Tahoe City Public Utility District (the District) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Tahoe City Public Utility District, as of December 31, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules relating to the net pension liability, schedule of funding progress, and budgetary comparison information on pages 9–24 and 71–76 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 Tahoe City Public Utility 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 July 5, 2017, on our consideration of the Tahoe City Public Utility 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 Tahoe City Public Utility District's internal control over financial reporting and compliance.

*Mam Unt. N. CPAs*

Sacramento, CA  
July 5, 2017

## 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, 2016. 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:

- **Net Position:** The total assets and deferred outflows of resources of TCPUD exceed its total liabilities and deferred inflows of resources at the close of the Fiscal Year (FY) 2016 by \$80,423,192 (net position). Of this amount, \$16,671,676 is unrestricted, \$65,000 is restricted for specific purpose, and \$63,686,516 is net investment in capital assets.
- **Changes in Net Position:** TCPUD's total net position increased \$7,469,989, or 10.2 % during the fiscal year, primarily due to an increase in current and other assets netted with an increase in current liabilities.
- **Governmental Funds:** As of December 31, 2016, TCPUD's governmental funds reported combined ending fund balance of \$8,174,382, a decrease of \$2,096,079 from prior year. Approximately 83.9% of the ending balance amount, or \$6,855,983, is available for spending at the government's discretion (unassigned fund balance)
- **Long-Term Liabilities:** TCPUD's total long-term debt decreased by \$689,709. All scheduled debt payments were made on time.
- **General Fund:** At December 31, 2016, unassigned fund balance of the General Fund was \$6,855,637. This represents a decrease of \$2,096,079 or 20.4% from prior year. Unassigned fund balance includes \$747,637 or 6.9% for the General Fund budget stabilization as required by TCPUD's financial policy.

### Overview of the Financial Statements

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

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

## Management Discussion and Analysis, continued

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

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

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

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

The government-wide financial statements can be found on pages 28 and 29 of this report.

**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The TCPUD, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the TCPUD can be divided into two categories: governmental funds and proprietary funds.

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

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

The TCPUD adopts an annual budget for its general fund. A budgetary comparison statement has been provided on page 73 for the general fund to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 32-35 of this report.

## Management Discussion and Analysis, continued

**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 39-70.

**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 begins on page 71 of this report.

### Government-wide Overall Financial Analysis

The Statement of Net Position combines and consolidates TCPUD's governmental funds' current financial resources (short-term spendable resources) with capital assets, long-term obligation, and other long-term assets and liabilities. The Statement of Net Position also presents the enterprise fund. 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 \$ 80,423,192 at the close of the most recent fiscal year.

By far, the largest portion of the TCPUD's net position (79.2%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt used to acquire those assets. The TCPUD uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the TCPUD investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. TCPUD has pledged \$746,311 for 2017 debt payments from property tax revenue.

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.

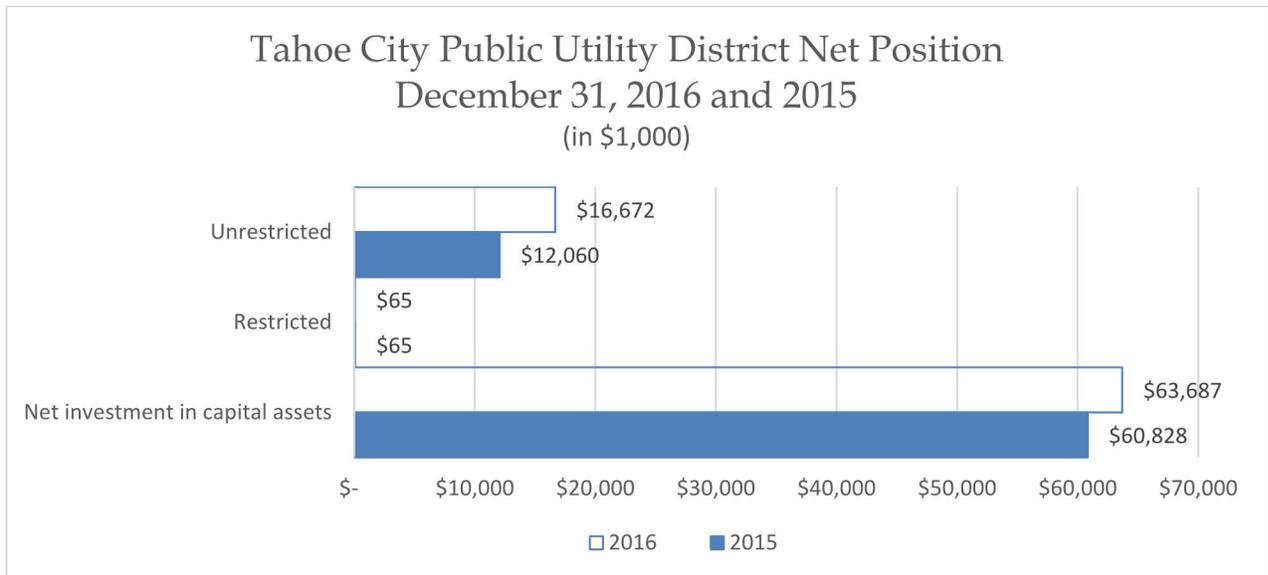
## Management Discussion and Analysis, continued

The Statement of Net Position is presented below in a condensed form for purposes of this analysis.

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>Assets:</b>						
Cash and investments	\$ 2,671,192	\$ 7,868,962	\$ 17,156,098	\$ 9,880,893	\$ 19,827,290	\$ 17,749,855
Cash and investments – restricted	19,585	13,204	-	-	19,585	13,204
Receivables	6,243,776	3,015,244	558,094	949,589	6,801,870	3,964,833
Other current assets	67,766	168,226	646,005	561,906	713,771	730,132
<b>Total current assets</b>	<b>9,002,319</b>	<b>11,065,636</b>	<b>18,360,197</b>	<b>11,392,388</b>	<b>27,362,516</b>	<b>22,458,024</b>
Investments – restricted	-	-	65,077	64,923	65,077	64,923
Facility upgrade receivables	-	-	9,029	18,134	9,029	18,134
Other postemployment benefits, net	-	-	310,463	310,014	310,463	310,014
Net capital assets	29,117,756	27,615,446	36,514,825	35,553,467	65,632,581	63,168,913
<b>Total assets</b>	<b>38,120,075</b>	<b>38,681,082</b>	<b>55,259,591</b>	<b>47,338,926</b>	<b>93,379,666</b>	<b>86,020,008</b>
<b>Deferred outflows of resources</b>	<b>1,141,198</b>	<b>858,131</b>	<b>1,849,266</b>	<b>1,090,830</b>	<b>2,990,464</b>	<b>1,948,961</b>
<b>Liabilities:</b>						
Payables and accruals	587,274	544,523	1,467,869	930,521	2,055,143	1,475,044
Unearned revenue	14,882	72,402	97,932	97,932	112,814	170,334
Long-term debt – current	672,749	648,610	41,883	41,100	714,632	689,710
<b>Total current liabilities</b>	<b>1,274,905</b>	<b>1,265,535</b>	<b>1,607,684</b>	<b>1,069,553</b>	<b>2,882,589</b>	<b>2,335,088</b>
Long-term debt - noncurrent	1,892,209	2,564,957	130,795	172,678	2,023,004	2,737,635
Net Pension Liability	3,924,081	3,488,683	5,601,294	4,434,705	9,525,375	7,923,388
<b>Total liabilities</b>	<b>7,091,195</b>	<b>7,319,175</b>	<b>7,339,773</b>	<b>5,676,936</b>	<b>14,430,968</b>	<b>12,996,111</b>
<b>Deferred inflows of resources</b>	<b>752,362</b>	<b>889,256</b>	<b>763,608</b>	<b>1,130,395</b>	<b>1,515,970</b>	<b>2,019,651</b>
<b>Net position:</b>						
Net Investment in capital assets	27,344,369	25,488,414	36,342,147	35,339,690	63,686,516	60,828,104
Restricted	-	-	65,000	65,000	65,000	65,000
Unrestricted	4,073,347	5,842,368	12,598,329	6,217,735	16,671,676	12,060,103
<b>Total net position</b>	<b>\$ 31,417,716</b>	<b>\$ 31,330,782</b>	<b>\$ 49,005,476</b>	<b>\$ 41,622,425</b>	<b>\$ 80,423,192</b>	<b>\$ 72,953,207</b>

At the end of FY 2016, TCPUD reported positive net positions in all of its governmental and business-type activities. At year-end of the fiscal year 74.2% of TCPUD's business activities' net position was invested in capital assets while for government activities this category amounted to 87.0%. The following chart demonstrates the relationship of net investment in capital assets, unrestricted, and restricted as component of net position.

## Management Discussion and Analysis, continued



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 2016 information.

TCPUD's overall changing net position increased by \$1,694,334 (\$7,469,989 - \$5,775,655) or 29.3 % from prior fiscal year, as reflected below in the Changes in Net Position table. The reasons for this overall increase are discussed separately in the sections for governmental activities and business-type activities.

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>Expenses:</b>						
Direct expenses	\$ 4,774,281	\$ 4,586,195	\$ 7,388,773	\$ 6,866,957	\$ 12,163,054	\$ 11,453,152
Indirect expenses	93,751	(123,271)	50,439	(314,768)	144,190	(438,039)
Total expenses	4,868,032	4,462,924	7,439,212	6,552,189	12,307,244	11,015,113
<b>Program Revenues:</b>						
Charges for services	645,256	608,297	8,931,132	8,915,708	9,576,388	9,524,005
Operating grants and contributions	394,768	349,078	-	-	394,768	349,078
Capital grants and contributions	2,585,198	373,169	211,035	-	2,796,233	373,169
Total program revenues	3,625,222	1,330,544	9,142,167	8,915,708	12,767,389	10,246,252
Net revenue (expense)	(1,242,810)	(3,132,380)	1,702,955	2,363,519	460,145	(768,861)
<b>General Revenues:</b>						
Property taxes	6,717,678	6,314,533	23,290	23,287	6,740,968	6,337,820
Investment earnings	120,327	88,257	148,549	118,439	268,876	206,696
Transfers	(5,508,259)	-	5,508,259	-	-	-
Total general revenues	1,329,746	6,402,790	5,680,098	141,726	7,009,844	6,544,516
Change in net position	\$ 86,936	\$ 3,270,410	\$ 7,383,053	\$ 2,505,245	\$ 7,469,989	\$ 5,775,655

## Management Discussion and Analysis, continued

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

During the current fiscal year, net position for governmental activities increased \$86,936 from the prior fiscal year for an ending balance of \$31,417,716. The increase is a result of property tax revenue netted with transferring property tax to the Business-type Activities for future capital expenditures.

**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 2016, \$5,508,259 in general property tax transfers occurred.

For the TCPUD's business-type activities, net position increased by \$7,383,053 from the prior year for an ending balance of \$49,005,476. The increase is a result of the impacts of a property tax transfers to be used for future capital purchases and results of operations.

For the year, net position increased an additional \$7,469,989. The increase is a result of property tax, operating expenses coming in under budget, and deferred capital expenditures.

	Changes in Net Position		
	Governmental Activities	Business-type Activities	Total
Net position - Beginning as previously reported	\$ 31,330,780	\$ 41,622,423	\$ 72,953,203
Add change in net position	86,936	7,383,053	7,469,989
Net position - Ending	\$ 31,417,716	\$ 49,005,476	\$ 80,423,192

### 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, 2016, the TCPUD's governmental funds reported combined fund balances of \$8,174,382, a decrease of \$2,096,079, or 20.4 % in comparison with the prior year. This decrease is a result of general property tax transfers to the enterprise fund for future capital asset purchases. Approximately 83.9 % of fund balance constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either *nonspendable*,

## Management Discussion and Analysis, continued

*restricted, committed, or assigned* to indicate that it is: 1) not in spendable form (\$153,770) and, 2) assigned for particular purposes (\$1,164,629). The general fund is the chief operating fund of the TCPUD.

### General Fund Budgetary Highlights

The following table shows the variances to budget:

	<u>Budget</u>	<u>Actual Amounts</u>	Variance to Budget Positive (Negative)
Revenues:			
Fees	\$ 460,895	\$ 410,153	\$ (50,742)
Property taxes	5,144,849	5,995,191	850,342
Interest	44,424	120,327	75,903
Grants	3,178,365	2,718,957	(459,408)
Other	186,078	508,067	321,989
Total revenues	<u>\$ 9,014,611</u>	<u>\$ 9,752,695</u>	<u>\$ 738,084</u>

The Parks and Recreation total revenue were greater to budget by \$738,084 as shown above. Property tax collection exceeded budget by \$850,342 attributable to RDA Pass-Through and Proposition 8 catch-ups. It should be noted, that TCPUD property tax is budgeted conservatively. Grant revenue was negative to budget by \$459,408 which bears a direct relation to reimbursable for capital expenditures. Other revenue positive variance \$321,989 reflects a \$260,500 one-time capital contribution for the ice rink.

	<u>Budget</u>	<u>Actual Amounts</u>	Variance to Budget Positive (Negative)
Expenditures			
Current:			
Public works - Parks	\$ 2,573,102	\$ 2,333,481	\$ 239,621
Recreation	702,428	672,401	30,027
Other operating	190,267	103,784	86,483
Capital outlay	<u>3,511,386</u>	<u>3,230,849</u>	<u>280,537</u>
Total expenditures	<u>\$ 6,977,183</u>	<u>\$ 6,340,515</u>	<u>\$ 636,668</u>

Overall, Public Works – Parks direct expenses were \$636,668 positive to budget due to reduced spending for consulting fees, repairs and maintenance, lower utilities, and administration costs. The net results of revenues and expenditures positive to budget is \$1,374,752 revenue over expenditures before other financing sources (uses).

## Management Discussion and Analysis, continued

### Capital Assets and Debt Administration

**Capital assets.** The TCPUD investment in capital assets for its governmental and business-type activities as of December 31, 2016 amounts to \$65,632,581 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery, equipment, vehicles, and park facilities. The total net increase in capital assets for the current fiscal year was approximately 3.9 %.

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 5,251,592	\$ 5,251,592	\$ -	\$ -	\$ 5,251,592	\$ 5,251,592
Intangible License	150,000	150,000	-	-	150,000	150,000
Facilities	20,031,024	19,273,751	29,645,829	27,260,824	49,676,853	46,534,575
Office building and equipment	2,985,778	2,130,042	3,990,754	3,725,997	6,976,532	5,856,039
Construction in progress	699,362	810,061	2,878,242	4,566,646	3,577,604	5,376,707
Total capital assets, net	\$ 29,117,756	\$ 27,615,446	\$ 36,514,825	\$ 35,553,467	\$ 65,632,581	\$ 63,168,913

In 2016, the TCPUD spent \$5,607,038 on capital items for the benefit of the community. Some of the significant water and sewer projects were Rubicon Service Line Replacement, 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 Homewood Bike Trail, Winter Sports Park Ice Rink and Truckee River Trail Stabilization and Restoration.

## Management Discussion and Analysis, continued

The following table presents the TCPUD's more significant capital additions during 2015 and 2016:

	Additions to Capital Assets	
	2015	2016
Governmental Activities		
Administration Office Security Upgrades	\$ 50,252	
Bear Box Installations	29,295.26	
Commons Beach Sand Replacement	18,697	
Admin & Rideout Copier Replacements	36,174	
Homewood Bike Trail	47,496	1,601,166
Picnic Table Replacements	29,738	14,691
Kilner Park Tennis Court Replacement	290,762	
Lake Forest Boat Ramp Rehab	300,563	
Lake Forest Boat Ramp Security Cameras	20,313	
Lakeside Trail Interpretive Panels	14,766	3,453
Tahoe City Golf Improvements	42,750	54,254
Truckee River Trail Stabilization and Restoration	46,810	373,722
Truckee River Bike Trail Overlay	38,186	48,178
Skylandia House Remodel		17,368
Connors Field Lighting Replacement		21,119
TCGC Ice Rink		897,693
Vehicles and Equipment	69,993	107,317
Other projects	80,200	91,890
Total governmental activities	1,115,993	3,230,849
Business-type Activities		
Alpine Peaks Sewer Line Rehab	213,741	
Bunker Water Tank Replacement	157,535	201,085
Dollar/Edgewater Sewer Line Replacement	40,163	27,217
Grouse Dr & Upper Ellis WLR	6,327	
Highway 89 Conductor Casing Crossings	135,813	
Lake Forest water acquisition & improvements	10,501	20,845
Pump Upgrades	114,617	115,628
Quail & Rocky Ridge Tank Recoating	267,301	18,542
St. Francis Condos Water Line Replacement	107,558	
Tahoe City Well #1 (Bunker) Replacement	697,902	175,134
Tahoe City Main Emergency Water Supply	39,046	330
Tahoe City Residential Sewer System Rehabilitation	1,102,458	80,397
Tahoe Park Water System Interconnection		52,370
Rubicon Service Line Replacements		386,699
Rubicon Tank No. 1 Interior Coating		152,857
West Lake Tahoe Regional Water Treatment Plant	307,930	456,375
West Shore Export Crossing Repair	880,399	4,737
Vehicles & mobile equipment	249,345	531,082
Other projects	181,641	152,890
Total business-type activities	4,512,277	2,376,189
Total TCPUD	\$ 5,628,270	\$ 5,607,038

## 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, completed construction October 2016. The TCPUD secured a large portion of grant money to help fund this project. Also, in 2017 the West Lake Tahoe Regional Water Treatment Plant, is scheduled to 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, 2016 the TCPUD utilized \$46,686,980 of gross depreciable capital assets at historical cost, consisting primarily of recreational facilities, in its Governmental Activities, and \$78,490,761 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 and rolling stock reserves for water, sewer, and non-water customers are \$2,673,098, \$2,777,635, and \$6,412,735 respectively for a total of \$11,863,468. 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 residential and commercial customers were metered and, subsequently, there was ample historical

## Management Discussion and Analysis, continued

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 2017-2021 capital budget includes \$52,314,503 its five year capital plan of which \$9,403,223 in capital grants are identified. The capital plan calls for \$31,574,249 for water, \$9,908,596 for sewer, \$8,052,158 for Parks and Recreation, \$995,500 for Governance and Administrative Services, and \$1,784,000 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 \$2,564,958. Of this amount, \$1,735,848 is debt backed by the full faith and credit of the government and \$37,539 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 \$791,571.

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
General obligation bonds	\$1,735,848	\$2,076,980	\$ -	\$ -	\$1,735,848	\$2,076,980
Special assessment bonds with governmental commitments	37,539	50,052	\$172,678	\$213,778	210,217	263,830
Pension related debt	791,571	1,086,535	-	-	791,571	1,086,535
Total long-term debt	\$2,564,958	\$3,213,567	\$172,678	\$213,778	\$2,737,636	\$3,427,345

## 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 \$9,525,375 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.

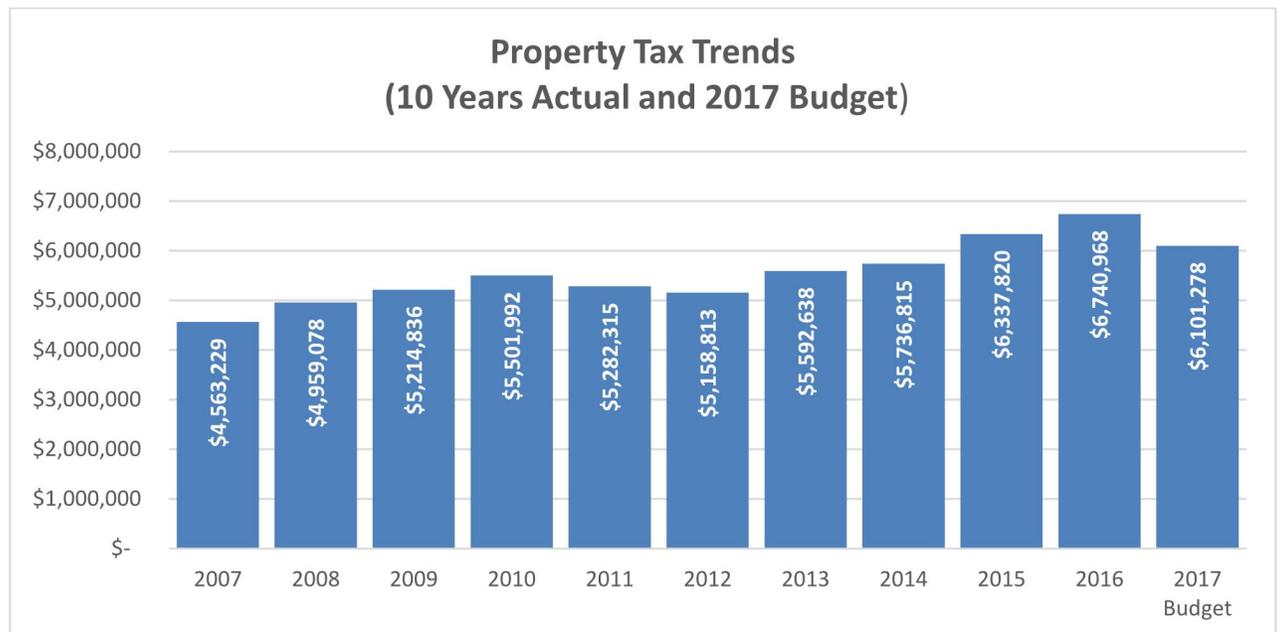
### **Economic Factors and Next Year's Budgets and Rates**

The following economic factors currently affect TCPUD and were considered in developing the 2017 fiscal year budget:

- Property tax revenue continues to be a stable revenue source for TCPUD and is its largest single source of revenue excluding capital grants making up 26.7% or \$6,101,278. 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, property values are recovering, property tax collections are higher due to triggering Proposition 8 catch-up provisions. The 2017 budget projects an increase of 3.6% to 2016 budget, however; the 2017 budget property tax is lower than 2016 actual collected due to Proposition 8 catch-ups, increased assessed values and conservative budgeting. The following Property Tax Trends bar graph show the last 10 years of actual property tax collection and the 2017 budget. The rise in the 2015 actuals is a result of unbudgeted pass-through related to the dissolution of the Resource Development Agencies and Proposition 8 catch-ups, up to the maximum of the 2% cap for Proposition 13 assessed

## Management Discussion and Analysis, continued

levels. The last ten years of actual property tax collected has seen an average increase of 5.4%



- Water and sewer base rate revenues combined makes up 42.7% of TCPUD’s revenue excluding capital grants. Due to TCPUD’s widely fluctuating population, TCPUD’s rate model relies mostly on the base rate to support operations unlike metropolitan areas. 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.
- California is recovering from one of the severest droughts on record and early in 2017, Governor Brown ended the drought State of Emergency in most of California, while maintaining water reporting and requirements and prohibitions on wasteful practices. Lessons learned from the drought, TCPUD’s budget reflects the new normal of realized reduced consumption revenue. Consumption revenue represents 5.3% of TCPUD’s revenue excluding capital grants.
- State had the forethought to enable legislation to help local communities cope with the ongoing, devastating drought. A \$1 billion package will expedite bond funding to make the state more resilient to the disastrous effects of climate change and help ensure that all Californians have access to local water supplies. TCPUD is working closely with all agencies to understand the availability and criteria to access the funds for water infrastructure.
- Personnel cost make up a large portion of TCPUD’s budget and every effort is made to control cost by working with the employees and their union. 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

## Management Discussion and Analysis, continued

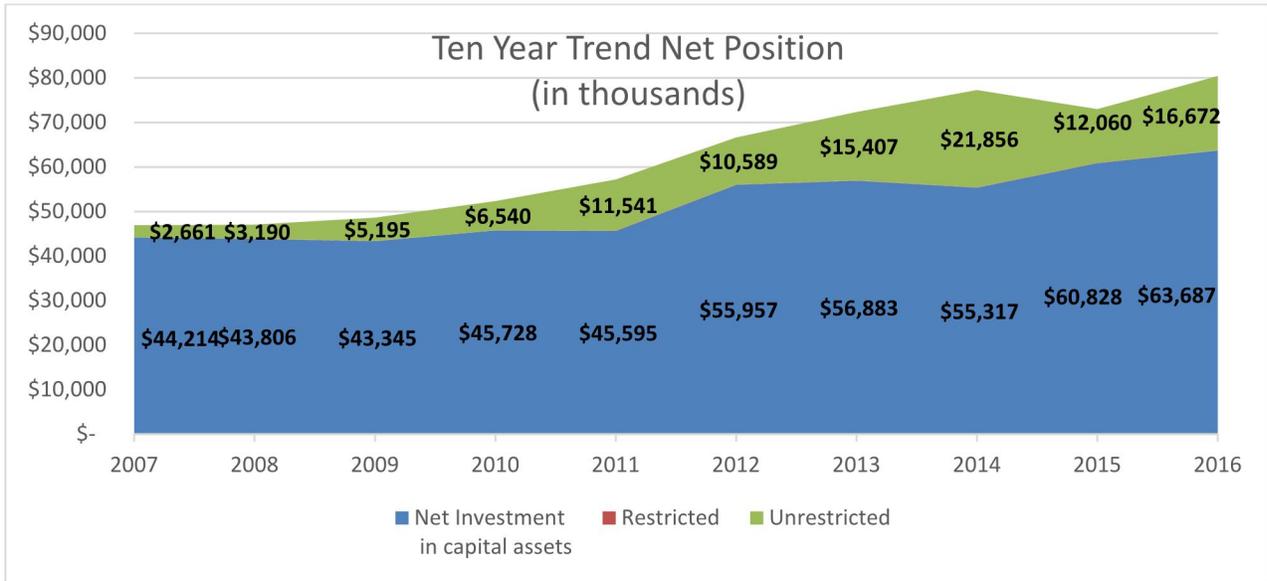
through negotiations reset the salary ranges at 75% of market. Other results of the negotiations included establishing a new cost of living index, eliminating the employer paid member contribution, capping general leave accruals, reducing sick-leave conversion to deferred compensation, reducing post retiree medical to the CalPERS minimum required payment, and implementing employee cost sharing of pension cost.

- Rising pension cost remains in the forefront of planning. At the end of 2016, CalPERS announced that it will be lowering the discount rate by a half a percent over the next three years. This decision means higher pension contributions for the TCPUD beginning July 1, 2018. In 2017, TCPUD will be examining and considering a sustainable funding policy to address these rising cost.
- Workforce housing challenges is gaining visibility at a regional level in the North Tahoe, Truckee, and the surrounding areas and TCPUD will remained engaged in the process. Lead by the Tahoe Truckee Community Foundation a regional workforce housing needs assessment was prepared and served as the springboard for other activities and reports addressing the workforce housing issues. TCPUD has made a commitment to help fund this effort and has authorized staff to participate at the Council and subcommittee levels.
- The TCPUD's 2017 budget was adopted by the Board of Directors on November 18, 2016 by Resolution 16-34.
- The 2017 TCPUD budgeted revenues, excluding property tax, are increasing 10.4% or \$1,022,752 over the 2016 budget.
  - New golf course revenue is \$346,245 and includes green fees and club and cart rentals.
  - Parks revenue is up \$103,413 as a result of increased Lake Forest Boat Ramp usage and increased sailing program grant.
  - Water and sewer revenue is are up respectively \$388,134 or 8.7% and \$177,485 or 4.0% as a result of Board approved rate increases.
  - Property tax revenue is budgeted to increase by 3.6% or \$210,726.
- The adopted TCPUD 2017 budget operating expense (excluding depreciation) totals \$11,153,116, which represents a 6.1% or \$597,661 increase over the 2016 operating expense budget.
  - The new golf course operations contributed \$372,029 to the 2017 total expense increase.
- The 2017 Capital Plan of \$17,632,990 is 63.3% greater than 2016 Capital Plan largely due to the Bunker Water Tank Replacement, West Lake Tahoe Regional Water Treatment Plant, Mid-Sierra Water Company Acquisition and Residential Sewer System Rehabilitation,

### Summary

The TCPUD's overall financial health and flexibility have continued to improve over the last ten years although the 2015 fiscal year saw a decline in unrestricted-net position due to the implementation of GASB 68. Currently, 2016 fiscal year shows net position increasing year on year.

## Management Discussion and Analysis, continued

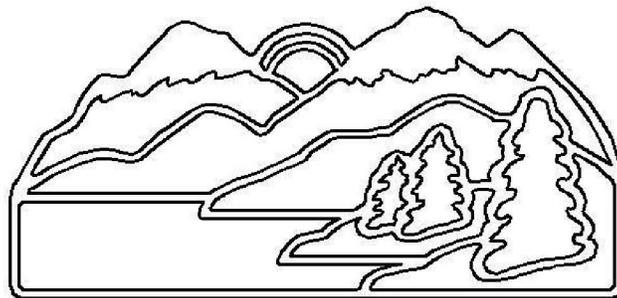


The TCPUD invested approximately \$5,607,038 in water, sewer, and parks infrastructure, with an emphasis on the Homewood Bike Trail, Truckee River Trail Stabilization and Restoration, Winter Sports Park Ice Rink, West Lake Tahoe Regional Water Treatment Plant, Bunker Water Tank Replacement, vehicles, and equipment.

### 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.

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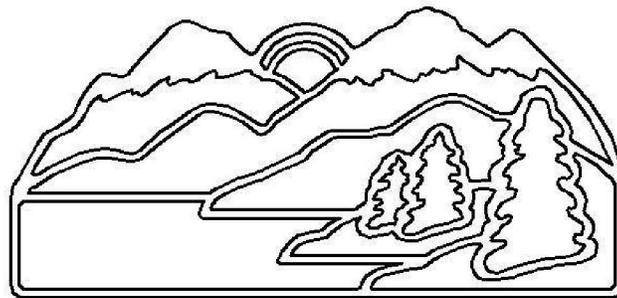


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# Basic Financial Statements

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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, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 2,671,192	\$ 17,156,098	\$ 19,827,290
Restricted cash and investments	19,585	-	19,585
Receivables:			
Accounts	-	361,641	361,641
Interest	-	1,014	1,014
Taxes	3,517,740	-	3,517,740
Grants	2,675,471	184,826	2,860,297
Other	54,844	19,758	74,602
Allowance for Doubtful Accounts	(4,279)	(9,145)	(13,424)
Short-term internal balances	(86,004)	86,004	-
Inventories	49,373	284,099	333,472
Prepaid items and other assets	104,397	275,902	380,299
<b>Total current assets</b>	<b>9,002,319</b>	<b>18,360,197</b>	<b>27,362,516</b>
Noncurrent assets:			
Restricted cash and investments	-	65,077	65,077
Facility improvement receivables	-	9,029	9,029
Other postemployment benefits, net	-	310,463	310,463
Capital assets:			
Non-depreciable	6,100,954	2,878,242	8,979,196
Depreciable, net	23,016,802	33,636,583	56,653,385
<b>Total capital assets, net</b>	<b>29,117,756</b>	<b>36,514,825</b>	<b>65,632,581</b>
<b>Total noncurrent assets</b>	<b>29,117,756</b>	<b>36,899,394</b>	<b>66,017,150</b>
<b>Total assets</b>	<b>38,120,075</b>	<b>55,259,591</b>	<b>93,379,666</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Changes in the net pension liability	1,141,198	1,849,266	2,990,464
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	173,408	848,286	1,021,694
Accrued payroll and benefits payable	42,812	135,062	177,874
Employee medical reimbursement payable	50,688	-	50,688
Interest payable	12,634	-	12,634
Deposits payable	23,159	222,984	246,143
Other liabilities	106,351	87,636	193,987
Unearned revenue	14,882	97,932	112,814
Compensated absences-due within one year	178,222	173,901	352,123
Long-term debt-due within one year	672,749	41,883	714,632
<b>Total current liabilities</b>	<b>1,274,905</b>	<b>1,607,684</b>	<b>2,882,589</b>
Noncurrent liabilities:			
Long-term debt-due in more than one year	1,892,209	130,795	2,023,004
Net pension liability	3,924,081	5,601,294	9,525,375
<b>Total liabilities</b>	<b>7,091,195</b>	<b>7,339,773</b>	<b>14,430,968</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Changes in the net pension liability	752,362	763,608	1,515,970
<b>NET POSITION</b>			
Net Investment in capital assets	27,344,369	36,342,147	63,686,516
Restricted for:			
Guarantee permit and payment performance	-	65,000	65,000
<b>Total restricted</b>	<b>-</b>	<b>65,000</b>	<b>65,000</b>
Unrestricted	4,073,347	12,598,329	16,671,676
<b>Total net position</b>	<b>\$ 31,417,716</b>	<b>\$ 49,005,476</b>	<b>\$ 80,423,192</b>

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

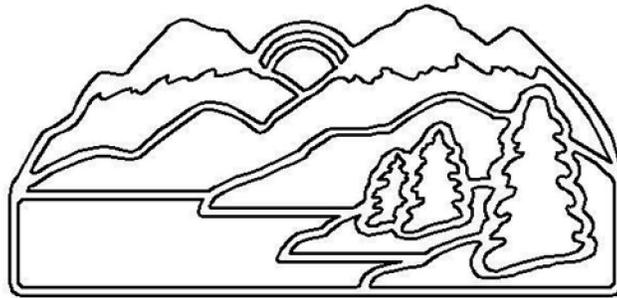
Statement of Activities

**Tahoe City Public Utility District**  
**Statement of Activities and Changes in Net Position**  
**For the year ended December 31, 2016**

Functions / Programs	Program Revenues							Net (Expense) Revenue and Changes in Net Position	
	Direct Expenses	Indirect Expenses	Charges for Services	Operating		Total	Governmental Activities	Business-Type Activities	Total
				Grants and Contributions	Capital Grants and Contributions				
<b>Primary Government:</b>									
<b>Governmental activities:</b>									
Public works - Parks	\$ 3,957,048	\$ 100,534	\$ 349,343	\$ 330,247	\$ 2,585,198	\$ 3,264,788	\$ (792,794)	\$ -	\$ (792,794)
Recreation	735,527	(6,783)	295,913	64,521	-	360,434	(368,310)	-	(368,310)
Interest on long-term debt (unallocated)	81,706	-	-	-	-	-	(81,706)	-	(81,706)
Total governmental activities	4,774,281	93,751	645,256	394,768	2,585,198	3,625,222	(1,242,810)	-	(1,242,810)
<b>Business-type activities:</b>									
Water	3,918,289	28,647	4,513,097	-	211,035	4,724,132	-	777,196	777,196
Sewer	3,470,484	21,792	4,418,035	-	-	4,418,035	-	925,759	925,759
Total business-type activities	7,388,773	50,439	8,931,132	-	211,035	9,142,167	-	1,702,955	1,702,955
<b>Total primary government</b>	<b>\$ 12,163,054</b>	<b>\$ 144,190</b>	<b>\$ 9,576,388</b>	<b>\$ 394,768</b>	<b>\$ 2,796,233</b>	<b>\$ 12,767,389</b>	<b>(1,242,810)</b>	<b>1,702,955</b>	<b>460,145</b>
<b>General Revenues:</b>									
Property taxes							6,717,678	23,290	6,740,968
Investment earnings							120,327	148,549	268,876
Transfers							(5,508,259)	5,508,259	-
<b>Total general revenues and transfers</b>							<b>1,329,746</b>	<b>5,680,098</b>	<b>7,009,844</b>
<b>Change in net position</b>							<b>86,936</b>	<b>7,383,053</b>	<b>7,469,989</b>
<b>Net Position - Beginning</b>							<b>31,330,780</b>	<b>41,622,423</b>	<b>72,953,203</b>
<b>Net position - Ending</b>							<b>\$ 31,417,716</b>	<b>\$ 49,005,476</b>	<b>\$ 80,423,192</b>

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, 2016

	General	Debt Service	Total Governmental Funds
<b>ASSETS</b>			
Cash	\$ 2,671,192	\$ -	\$ 2,671,192
Restricted cash	19,585	-	19,585
Receivables:			
Taxes	3,517,740	-	3,517,740
Grants	2,675,471	-	2,675,471
Other	41,955	12,889	54,844
Allowance for Doubtful Accounts	(4,279)		(4,279)
Inventory	49,373		49,373
Prepaid items and other assets	104,397		104,397
<b>Total assets</b>	<b>\$ 9,075,434</b>	<b>\$ 12,889</b>	<b>\$ 9,088,323</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 173,408	\$ -	\$ 173,408
Accrued payroll and benefits payable	42,812	-	42,812
Employee medical reimbursement payable	50,688	-	50,688
Deposits payable	23,159	-	23,159
Other liabilities	106,351	-	106,351
Short-term internal balances	493,796	8,845	502,641
Unearned revenue	11,184	3,698	14,882
<b>Total liabilities</b>	<b>901,398</b>	<b>12,543</b>	<b>913,941</b>
<b>Fund Balances:</b>			
Non-Spendable	153,770	-	153,770
Assigned			
Long-term equipment and capital replacement	1,164,629	-	1,164,629
Unassigned fund balance			
General Fund	6,855,637	346	6,855,983
<b>Total fund balances</b>	<b>8,174,036</b>	<b>346</b>	<b>8,174,382</b>
<b>Total liabilities and fund balances</b>	<b>\$ 9,075,434</b>	<b>\$ 12,889</b>	<b>\$ 9,088,323</b>

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

Tahoe City Public Utility District  
 Reconciliation of the Balance Sheet of Governmental Funds  
 to the Statement of Net Position of Governmental Activities  
 December 31, 2016

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**Total Fund Balances - Governmental Funds** \$ 8,174,382

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	6,100,954
Depreciable, net	23,016,802
Total capital assets, net	29,117,756

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.	(12,634)
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Water charges from the Proprietary Fund to the Governmental Funds must be eliminated in the Government-Wide Statements resulting in a change to short-term internal balances	416,637
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Long-term liabilities were not due and payable in the current period. Therefore, they were not reported in the Governmental Funds Balance Sheet.

Compensated absences - due within one year	(178,222)
Long-term debt - due within one year	(672,749)
Long-term debt - due in more than one year	(1,892,209)
Total long-term liabilities	(2,743,180)

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	(3,924,081)
Deferred outflows, related to pension expense	1,141,198
Deferred inflows, related to pension expense	(752,362)
Total long-term pension liability	(3,535,245)

**Total Net Position of Governmental Activities** \$ 31,417,716

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, 2016

	General	Debt Service	Total Governmental Funds
<b>REVENUES:</b>			
Fees	\$ 410,153	\$ -	\$ 410,153
Property taxes	5,995,191	722,487	6,717,678
Interest	120,327	-	120,327
Grants	2,718,957	-	2,718,957
Other	508,067	13,515	521,582
<b>Total revenues</b>	<b>9,752,695</b>	<b>736,002</b>	<b>10,488,697</b>
<b>EXPENDITURES:</b>			
Current:			
Public works - Parks	2,333,481	-	2,333,481
Recreation	672,401	-	672,401
Other operating	103,784	-	103,784
Capital outlay	3,230,849	-	3,230,849
Debt service:			
Principal	-	648,609	648,609
Interest	-	87,393	87,393
<b>Total expenditures</b>	<b>6,340,515</b>	<b>736,002</b>	<b>7,076,517</b>
<b>REVENUES OVER EXPENDITURES</b>	<b>3,412,180</b>	<b>-</b>	<b>3,412,180</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers out to other funds	(5,508,259)	-	(5,508,259)
<b>Total other financing sources (uses)</b>	<b>(5,508,259)</b>	<b>-</b>	<b>(5,508,259)</b>
<b>Net change in fund balances</b>	<b>(2,096,079)</b>	<b>-</b>	<b>(2,096,079)</b>
<b>FUND BALANCES:</b>			
Beginning of year	10,270,115	346	10,270,461
End of year	<u>\$ 8,174,036</u>	<u>\$ 346</u>	<u>\$ 8,174,382</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  
 to the Statement of Activities  
 December 31, 2016

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**Net Change in Fund Balances - Governmental Funds** \$ (2,096,079)

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. 3,230,849

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. (1,728,539)

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. 64,086

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. 648,609

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 (22,240)

Change in accrued interest 5,687

Increase of pension expense based on GASB 68 adjustments (15,437)

**Change in Net Position of Governmental Activities** \$ 86,936

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, 2016

	Water and Sewer Fund
<b>ASSETS</b>	
Current assets:	
Cash and investments	\$ 17,156,098
Receivables:	
Accounts	361,641
Grants	184,826
Interest	1,014
Other	19,758
Allowance for Doubtful Accounts	(9,145)
Short-term internal balances	502,641
Inventories	284,099
Prepaid items and other assets	275,902
Total current assets	18,776,834
Noncurrent assets:	
Restricted cash and investments	65,077
Facility improvement receivables	9,029
Other postemployment benefits, net	310,463
Capital assets:	
Non-depreciable assets	2,878,242
Depreciable assets, net	33,636,583
Total capital assets, net	36,514,825
Total noncurrent assets	36,899,394
<b>Total assets</b>	55,676,228
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Changes in the net pension liability	1,849,266
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	848,286
Accrued payroll and benefits payable	135,062
Deposits payable	222,984
Other liabilities	87,636
Unearned revenue	97,932
Compensated absences	173,901
Long-term debt - due within one year	41,883
Total current liabilities	1,607,684
Noncurrent liabilities:	
Net Pension Liability	5,601,294
Long-term debt - due in more than one year	130,795
Total noncurrent liabilities	5,732,089
<b>Total liabilities</b>	7,339,773
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Changes in the net pension liability	763,608
<b>NET POSITION</b>	
Net Investment in capital assets	36,342,147
Restricted for:	
Guarantees of permit performance	65,000
Unrestricted (Note 9)	13,014,966
<b>Total net position</b>	49,422,113
Elimination of water services charged to the governmental funds	416,637
<b>Net position of business-type activities</b>	\$ 49,005,476

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, 2016

	Water and Sewer Fund
<b>OPERATING REVENUES:</b>	
Service and inspection fees	\$ 8,788,854
Connection fees	37,775
Penalties and discounts	68,889
Grant revenue	58,354
Other	50,685
<b>Total operating revenues</b>	<u>9,004,557</u>
<b>OPERATING EXPENSES:</b>	
Personnel	3,729,128
Operations	2,310,337
Depreciation	1,409,610
<b>Total operating expenses</b>	<u>7,449,075</u>
<b>OPERATING INCOME</b>	<u>1,555,482</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>	
Property taxes	23,290
Interest income	148,549
Proceeds from sales of capital assets	4,381
Interest expense	(3,857)
<b>Total nonoperating revenues (expenses)</b>	<u>172,363</u>
<b>INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	1,727,845
Capital contributions	211,035
Transfers in from other funds	5,508,259
<b>Change in net position</b>	7,447,139
<b>NET POSITION:</b>	
Beginning of year	<u>41,974,974</u>
End of year	<u>\$ 49,422,113</u>
<b>RECONCILIATION OF CHANGE IN NET POSITION:</b>	
Change in net position for proprietary fund	\$ 7,447,139
Elimination of water services charged to the governmental funds	64,086
<b>Change in net position for business-type activities</b>	<u>\$ 7,383,053</u>

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

Tahoe City Public Utility District  
Statement of Cash Flows – Proprietary Fund  
December 31, 2016

	Water and Sewer Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Receipts from customers	\$ 8,837,505
Payments to suppliers	(1,767,657)
Payments to employees	(3,699,929)
Internal activity - receipts from other funds	(375)
Other receipts	426,918
<b>Net cash provided by operating activities</b>	<b>3,796,462</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
Property taxes received	23,290
Transfers in	5,508,259
<b>Net cash provided by noncapital financing activities</b>	<b>5,531,549</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Acquisition of capital assets	(2,376,189)
Proceeds from sales of capital assets	9,600
Grants received	211,035
Principal payments on long-term debt	(41,100)
Interest paid on long-term debt	(3,857)
<b>Net cash used by capital and related financing activities</b>	<b>(2,200,511)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Interest received	147,859
<b>Net cash provided by investing activities</b>	<b>147,859</b>
<b>Net increase in cash and cash equivalents</b>	<b>7,275,359</b>
<b>CASH AND CASH EQUIVALENTS</b>	
Beginning of year	9,945,816
End of year	<u>\$ 17,221,175</u>
<b>CASH AND CASH EQUIVALENTS</b>	
Cash and cash equivalents	\$ 17,156,098
Restricted cash and cash equivalents	65,077
<b>Total cash and cash equivalents</b>	<b>\$ 17,221,175</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>	
Operating income	\$ 1,555,482
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,409,610
Changes in assets and liabilities:	
(Increase) Decrease in:	
Accounts receivable	(47,478)
Grants receivable	264,894
Other receivable	25,208
Allowance for Doubtful	(154)
Facilities improvement receivables	9,105
Due from/to other funds	(375)
Inventories	(13,713)
Prepaid items and other assets	15,618
Other post employment benefits	(449)
Changes in the net pension liability	(758,436)
Increase (Decrease) in:	
Accounts payable	556,393
Accrued payroll and benefits	951
Deposits payable	25,542
Changes in the net pension liability	(366,787)
Net pension liability and other liabilities	1,133,720
Compensated absences	(12,669)
<b>Net cash provided by operating activities</b>	<b>\$ 3,796,462</b>

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

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# Notes to the Basic Financial Statements

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**Tahoe City Public Utility District**  
**Notes to the Basic Financial Statements**  
**For the year ended December 31, 2016**

**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, golf, winter sports park, 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, 2016.

**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, 2016**

**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 deferred outflows of resources and liabilities and deferred inflows of resources, 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 fund balance 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, 2016**

**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 deferred outflows of resources and liabilities and deferred inflows of resources (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, 2016**

**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, 2016**

**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, 2016**

**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, 2016, 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, 2016**

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

*I. Deferred Outflows/Inflows of Resources, continued*

In addition to liabilities, the statement of financial position or balance sheet will sometimes report a separate section to deferred inflows of resources. 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 (other than bond insurance) are expensed as incurred.

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, 2016**

**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) plan (the Plan) and the additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

*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, 2016**

**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 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. This statement provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. Application of this statement was effective for the District's fiscal year ending December 31, 2016.

In June 2015, GASB issued Statement No. 76, the Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. Application of this statement was effective for the District's fiscal year ending December 31, 2016.

In March 2016, GASB issued Statement No. 82, Pension Issues - an Amendment of GASB Statements No. 67, No. 68, and No. 73. The primary objective of this statement is to address issues regarding the (1) presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy

**Tahoe City Public Utility District  
Notes to the Basic Financial Statements  
For the year ended December 31, 2016**

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

employee (plan member) contribution requirements. The requirements of this statement are effective for reporting periods beginning after June 15, 2016; the District has implemented the statement in the current year. See Note 10.

*Q. Future Government Accounting Standard Board Statements*

These statements are not effective until December 31, 2017 or later. The District has not determined the effects on the financial statements.

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 \$153,850 at December 31, 2016. Bank balances were \$349,158 the total amount of which was insured and/or collateralized with securities held by the pledging financial institutions in the District's name as discussed below.

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

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

**Tahoe City Public Utility District  
Notes to the Basic Financial Statements  
For the year ended December 31, 2016**

**2. CASH AND INVESTMENTS, Continued**

***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, 2016, include a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments include the following:

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

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

As of December 31, 2016, the District had \$348,012 invested with LAIF and \$19,324,783 invested with the Placer County Treasurer. LAIF had invested 2.66% 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 0.999423823 to total investments held by both. At December 31, 2016, the LAIF and Placer County Treasurer balance did not reflect an amortized cost of \$19,661 which approximates the fair market value.

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

**Tahoe City Public Utility District  
Notes to the Basic Financial Statements  
For the year ended December 31, 2016**

**2. CASH AND INVESTMENTS, Continued**

**B. Investments, Continued**

The following tables set forth by level, within the fair value hierarchy, the District's assets at fair value as of December 31, 2016.

	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ -	\$65,077	\$ -	\$ 65,077
Total assets at fair value	\$ -	\$65,077	\$ -	\$ 65,077

**C. Summary of Cash & Investments**

The following is a summary of cash and investments at December 31, 2016:

	Government-Wide Statement of Net Assets		
	Governmental	Business-Type	Total
	Activities	Activities	
Operating cash deposits	\$ -	\$ 153,850	\$ 153,850
Imprest and other	345	300	645
Investments	2,670,847	17,001,948	19,672,795
Total cash and investments	2,671,192	17,156,098	19,827,290
Current - Restricted cash and investments	19,585		19,585
Noncurrent-Restricted cash and investments		65,077	65,077
Total All	\$ 2,690,777	\$ 17,221,175	\$ 19,911,952

**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, 2016, 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, 2016, the District's investments invested in LAIF and Placer County Treasurer were not rated. The fair value of the District asset held in LAIF and Placer County Treasurer is materially equivalent to the value of the pool shares.

**Tahoe City Public Utility District  
Notes to the Basic Financial Statements  
For the year ended December 31, 2016**

**2. CASH AND INVESTMENTS, Continued**

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

**E. Restricted Cash and Investments**

Restricted cash and investments for the District amounted to \$84,662. This amount breaks out as follows: \$65,077 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 \$19,585, was in the District’s Section 125 medical reimbursement account which is restricted for the sole use of the District’s employees.

**3. INTERFUND TRANSACTIONS**

**A. Due to/due from other funds**

Short term interfund loans between funds at December 31, 2016 were as follows:

		Due to other funds		
		General Fund	Debt Service	Total
Due from other funds	Water and Sewer	\$ 493,796	\$ -	\$ 493,796
	Water and Sewer	-	8,845	8,845
		<u>\$ 493,796</u>	<u>\$ 8,845</u>	<u>\$ 502,641</u>

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

**B. Transfers In and Out**

		Transfers in from other funds
		<u>Water and Sewer Enterprise Fund</u>
Transfer out to other funds	General fund	\$ 5,508,259
		<u>\$ 5,508,259</u>

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.

**Tahoe City Public Utility District  
Notes to the Basic Financial Statements  
For the year ended December 31, 2016**

**4. CAPITAL ASSETS**

*A. Government-Wide Financial Statements*

At December 31, 2016, the District's capital assets consisted of the following:

	Governmental Activities	Business-Type Activities	Total
Non-depreciable assets:			
Land	\$ 5,251,592	\$ -	\$ 5,251,592
Intangible license	150,000	-	150,000
Construction in progress	699,362	2,878,242	3,577,604
Total non-depreciable assets	<u>6,100,954</u>	<u>2,878,242</u>	<u>8,979,196</u>
Depreciable assets:			
Water and sewer plant	-	69,968,055	69,968,055
Recreational facilities	41,135,440	-	41,135,440
Office building and equipment	5,178,620	6,769,778	11,948,398
Vehicles	463,323	1,959,507	2,422,830
Total depreciable assets	<u>46,777,383</u>	<u>78,697,340</u>	<u>125,474,723</u>
Less accumulated depreciation:			
Water and sewer plant	-	(40,322,226)	(40,322,226)
Recreational facilities	(21,104,416)	-	(21,104,416)
Office building and equipment	(2,378,872)	(3,657,702)	(6,036,574)
Vehicles	(277,293)	(1,080,829)	(1,358,122)
Total accumulated depreciation	<u>(23,760,581)</u>	<u>(45,060,757)</u>	<u>(68,821,338)</u>
Net depreciable assets	<u>23,016,802</u>	<u>33,636,583</u>	<u>56,653,385</u>
<b>Total capital assets, net</b>	<u><u>\$ 29,117,756</u></u>	<u><u>\$ 36,514,825</u></u>	<u><u>\$ 65,632,581</u></u>

**Tahoe City Public Utility District**  
**Notes to the Basic Financial Statements**  
**For the year ended December 31, 2016**

**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, 2016	Additions	Retirements	Transfers/ Reclassifications	Balance as of December 31, 2016
Land	\$ 5,251,592	\$ -	\$ -	\$ -	\$ 5,251,592
Non-depreciable license	150,000	-	-	-	150,000
Construction in progress	810,061	2,992,040		(3,102,739)	699,362
Total capital assets, not being depreciated	6,211,653	2,992,040	-	(3,102,739)	6,100,954
Capital assets, being depreciated:					
Recreational facilities	38,868,330		-	2,267,110	41,135,440
Office building and equipment	4,149,182	193,809	-	835,629	5,178,620
Vehicles	418,323	45,000	-		463,323
Total capital assets, being depreciated	43,435,835	238,809	-	3,102,739	46,777,383
Less accumulated depreciation for:					
Recreational facilities	(19,594,579)	(1,509,837)	-	-	(21,104,416)
Office building and equipment	(2,161,137)	(217,735)	-	-	(2,378,872)
Vehicles	(276,326)	(967)	-	-	(277,293)
Total accumulated depreciation	(22,032,042)	(1,728,539)	-	-	(23,760,581)
Net capital assets being depreciated	21,403,793	(1,489,730)	-	3,102,739	23,016,802
Governmental activities capital assets, net	<u>\$ 27,615,446</u>	<u>\$ 1,502,310</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,117,756</u>

Depreciation expense for capital assets during the year ended December 31, 2016 was charged to the different activities as follows:

Public works - parks	\$ 1,670,306
Recreation	<u>58,233</u>
Total	<u>\$ 1,728,539</u>

**Tahoe City Public Utility District**  
**Notes to the Basic Financial Statements**  
**For the year ended December 31, 2016**

**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, 2016	Additions	Retirements	Transfers/ Reclassifications	Balance as of December 31, 2016
Capital assets, not being depreciated:					
Construction in progress	\$ 4,566,646	\$ 1,848,881	\$ -	\$ (3,537,285)	\$ 2,878,242
Total capital assets, not being depreciated	4,566,646	1,848,881	-	(3,537,285)	2,878,242
Capital assets, being depreciated:					
Water and sewer plant	66,448,965	-	(18,195)	3,537,285	69,968,055
Office building and equipment	6,736,394	42,199	(8,815)	-	6,769,778
Vehicles	1,494,943	485,107	(20,543)	-	1,959,507
Total capital assets, being depreciated	74,680,302	527,306	(47,553)	3,537,285	78,697,340
Less accumulated depreciation for:					
Water and sewer plant	(39,188,141)	(1,134,085)	-	-	(40,322,226)
Office building and equipment	(3,496,737)	(184,336)	23,371	-	(3,657,702)
Vehicles	(1,008,603)	(91,189)	18,963	-	(1,080,829)
Total accumulated depreciation	(43,693,481)	(1,409,610)	42,334	-	(45,060,757)
Net capital assets being depreciated	30,986,821	(882,304)	(5,219)	3,537,285	33,636,583
Business-type activities capital assets, net	\$ 35,553,467	\$ 966,577	\$ (5,219)	\$ -	\$ 36,514,825

Depreciation expense for capital assets for December 31, 2016 was charged to the different activities as follows:

Water	\$ 907,917
Sewer	501,693
Total	<u>\$ 1,409,610</u>

**Tahoe City Public Utility District  
Notes to the Basic Financial Statements  
For the year ended December 31, 2016**

**5. UNEARNED REVENUE**

*Government-Wide Financial Statements*

At December 31, 2016, 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 Water Sewer Fund	Total
	General Fund	Debt Service Fund			
Golf Deferred Revenue	\$ 100	\$ -	\$ 100	\$ -	\$ 100
Sidewalk principal and interest	11,084	3,698	14,782	-	14,782
Water system studies grant	-	-	-	97,932	97,932
<b>Total</b>	<b>\$ 11,184</b>	<b>\$ 3,698</b>	<b>\$ 14,882</b>	<b>\$ 97,932</b>	<b>\$ 112,814</b>

**6. LONG TERM DEBT**

The following is a summary of long-term debt transactions for the year ended December 31, 2016:

	Maturity Date	Interest Rate	Balance January 1, 2016	Additions	Retirements	Balance December 31, 2016	Current Portion	Due in More than One Year
<b>Governmental Activities</b>								
Sidewalk Improvement Bonds	2019	6.02%	\$ 50,052	\$ -	\$ (12,513)	\$ 37,539	\$ 12,513	\$ 25,026
Zions Bank Loan	2017	4.30%	470,790	-	(230,388)	240,402	240,402	-
State Water Resources Control Board	2028	1.80%	1,606,190	-	(110,744)	1,495,446	112,741	1,382,705
Taxable Pension Obligation Refunding Bonds	2019	4.05%	1,086,535	-	(294,964)	791,571	307,093	484,478
<b>Total Governmental activities</b>			<b>\$ 3,213,567</b>	<b>\$ -</b>	<b>\$ (648,609)</b>	<b>\$ 2,564,958</b>	<b>\$ 672,749</b>	<b>\$ 1,892,209</b>
<b>Business-Type Activities</b>								
2001 Refunding Bonds								
Series C	2021	6.05%	\$ 213,778	-	\$ (41,100)	\$ 172,678	\$ 41,883	\$ 130,795
<b>Total Business-type activities</b>			<b>\$ 213,778</b>	<b>\$ -</b>	<b>\$ (41,100)</b>	<b>\$ 172,678</b>	<b>\$ 41,883</b>	<b>\$ 130,795</b>

**Tahoe City Public Utility District**  
**Notes to the Basic Financial Statements**  
**For the year ended December 31, 2016**

**6. LONG TERM DEBT, Continued**

Future principal and interest payments on all long-term debt were as follows at December 31, 2016:

For the Year Ending 12/31	Governmental Activities			
	Zions Bank Loan		State Water Resources Control Board	
	Principal	Interest	Principal	Interest
2017	\$ 240,402	\$ 7,780	\$ 112,741	\$ 26,963
2018	-	-	114,773	24,930
2019	-	-	116,843	22,861
2020	-	-	118,949	20,754
2021	-	-	121,094	18,609
2022-2026	-	-	639,017	59,499
2027-2028	-	-	272,029	7,379
	<u>\$ 240,402</u>	<u>\$ 7,780</u>	<u>\$ 1,495,446</u>	<u>\$ 180,995</u>

For the Year Ending 12/31	Governmental Activities			
	Pension Refunding Bonds		Sidewalk Improvement Bonds	
	Principal	Interest	Principal	Interest
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>\$ 791,571</u>	<u>\$ 44,746</u>	<u>\$ 37,539</u>	<u>\$ 1,502</u>

For the Year Ending 12/31	Business-Type Activities	
	2001 Refunding Bonds Series C	
	Principal	Interest
2017	\$ 41,883	\$ 3,073
2018	42,281	2,676
2019	43,087	1,870
2020	45,427	632
	<u>\$ 172,678</u>	<u>\$ 8,251</u>

**Tahoe City Public Utility District  
Notes to the Basic Financial Statements  
For the year ended December 31, 2016**

**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, 2016**

**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 2016 General Property Tax Pledged
<b>Governmental Activities</b>		
Bank of America Loan - 2011	\$ 334,527	5.0%
Zions Bank Loan	248,182	3.7%
State Water Resources Control Board	139,704	2.1%
2001 Refunding Bonds Series C	23,291	0.3%
Unpledged General Property Tax Revenues	<u>5,995,264</u>	<u>88.9%</u>
Total 2016 General Property Tax Revenues	<u>\$ 6,740,968</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, 2016 were as follows:

	Balance January 1, 2016	Additions	Retirements	Balance December 31, 2016	Due within One Year
Governmental Activities	\$ 155,982	\$ 97,679	\$ (75,439)	\$ 178,222	\$ 178,222
Business-Type Activities	<u>186,570</u>	<u>322,084</u>	<u>(334,753)</u>	<u>173,901</u>	<u>173,901</u>
<b>Total</b>	<u>\$ 342,552</u>	<u>\$ 419,763</u>	<u>\$ (410,192)</u>	<u>\$ 352,123</u>	<u>\$ 352,123</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  
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**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, 2016 is as follows. Non-spendable consists of prepaid items and inventory. The District has assigned \$1,034,429 for capital reserve and \$130,200 for rolling stock in the General Fund for the long-term replacement of capital assets within the District Parks and Recreation.

Non-Spendable	\$ 153,770
Assigned	
Capital Reserve -capital	1,034,429
Capital Reserve-rolling stock	130,200
Unassigned fund balance	<u>6,855,637</u>
Total Fund Balance General Fund	<u>\$ 8,174,036</u>

The District designated the unrestricted net position of the proprietary fund at December 31, 2016 as follows:

Designated for:	Water	Sewer	Total
Minimum Capital Reserve	\$ 1,689,903	\$ 1,901,141	\$ 3,591,044
Rolling Stock	140,900	140,900	281,800
Budget Stabilization	842,295	735,594	1,577,889
Property tax reserve - water	6,412,735	-	6,412,735
Total designated net position - proprietary activities			<u>11,863,468</u>
Undesignated			<u>1,151,498</u>
Total unrestricted net position proprietary fund			<u>\$ 13,014,966</u>

**10. PENSION PLANS**

**General Information about the Pension Plans**

Plan Description - All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Plan (Plan) administered by California Public Employees' Retirement System (CalPERS.) The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all other.) Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The District sponsors two miscellaneous plans. Benefit provisions under the Plan are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding

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

benefit provisions, assumptions, and membership information that can be found on the CalPERS website.

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Classic 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. PEPRM Miscellaneous members with five years of total service are eligible to retire at age 62 with statutorily reduced benefits.

The Plan provisions and benefits in effect at December 31, 2016 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	52-62
Monthly Benefits , a % of eligible compensation		
Required Employee Contribution Rates	8.0%	6.237% / 6.555%
Required Employer Contribution Rates (two rates listed due to fiscal calendar year)	10.958% / 11.634%	6.237% / 6.555%

**Funding Policy**

The plan requires employee contributions equal to some percentage of the employees’ annual covered salary. During fiscal 2016 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 8.0% 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 the 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 the Plan 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  
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**10. PENSION PLANS, Continued**

For the year ended December 31, 2016, the contributions for the plan were as follows:

	<u>Contributions</u>
Contributions - Employer	\$ 747,213
Contributions - Employee	\$ 337,605

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

As of December 31, 2016, the District reported a net pension liability for its proportionate share of the net pension liability of the plan of \$9,525,375.

	<u>Proportionate Share of Net Pension Liability</u>
Beginning net pension liability, December 31, 2015	\$ 7,923,388
Pension Expense	1,381,731
Employer contribution	(1,324,928)
Net new deferred in flows / outflows	1,545,184
	<u>\$ 9,525,375</u>

In determining the District's proportionate share, the District's rate plan included in the Plan were assigned to Miscellaneous risk pool. Estimates of the total pension liability and the fiduciary net position were first determined for the individual rate plan and risk pool as of the valuation date, June 30, 2015. The District rate plan's fiduciary net position was subtracted from its total pension liability to obtain its net pension liability as of the valuation date. The District's proportionate share percentage for the risk pool at the valuation date was calculated by dividing the District's net pension liability for its rate plan within each risk pool by the net pension liability of the respective risk pool as of the valuation date.

The District's proportionate share of the net pension liability as of June 30, 2016, the measurement date, was calculated as follows:

The risk pool's total pension liability was computed at the measurement date, June 30, 2016, by applying standard actuarial roll-forward methods to the total pension liability amounts as of the valuation date. The fiduciary net position for each risk pool at the measurement date was determined by CalPERS' Financial Office. The net pension liability for each risk pool at June 30, 2016, was computed by subtracting the respective risk pool's fiduciary net position from its total pension liability.

The individual employer risk pool's proportionate share percentage of the total pension liability and fiduciary net position as of June 30, 2016, was calculated by applying the District's proportionate share percentage as of the valuation date as described to the respective risk pool's total pension liability and fiduciary net position as of June 30, 2016, to obtain the total pension liability and fiduciary net position as of June 30, 2016. The fiduciary net position was then subtracted from total pension liability to obtain the net pension liability as of the measurement date.

**Tahoe City Public Utility District  
Notes to the Basic Financial Statements  
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**10. PENSION PLANS, Continued**

The Districts proportionate share of the net pension liability as of June 30, 2015 and June 30, 2016 was as follows:

	Miscellaneous Risk Pool
Proportion at valuation date - June 30, 2015	0.288810%
Proportion at measurement date - June 30, 2016	0.274200%
Change - increase (decrease)	<u>-0.014610%</u>

For the year ended December 31, 2016 the District recognized pension expense of \$1,381,731. At December 31, 2016 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Pension contributions subsequent to measurement date	\$ 200,382	\$ -
Differences between actual and expected experience	29,930	6,756
Difference between actual ER contributions & ER share of total contributions		351,114
Changes in Assumptions	-	283,170
Change in employer's proportion	493,404	-
Net Difference between projected and actual earnings on plan investment	2,266,748	874,930
	<u>\$ 2,990,464</u>	<u>\$ 1,515,970</u>

The \$200,382 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, 2017. 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 December 31	Amount
2017	\$ 131,649
2018	145,201
2019	636,397
2020	360,865
	<u>\$ 1,274,112</u>

**Tahoe City Public Utility District  
Notes to the Basic Financial Statements  
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**10. PENSION PLANS, Continued**

**Actuarial Assumptions**

The total pension liabilities in the December 31, 2016 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase <sup>(1)</sup>	Varies by Entry Age & Length of Service
Investment Rate of Return	7.50% net of pension plan investment and administrative expenses
Mortality <sup>(2)</sup>	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) Depending on age, service and type of employment

(2) The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

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 three year average annual pensionable wages.

**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 the Plan, CalPERS stress tested employer rate plans within the Plan 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 employer rate plans run 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 stress test results are presented in a detailed report, *GASB Statements 67 and 68 Crossover Testing Report for Measurement Date June 30, 2016 based on June 30, 2015 Valuations*, that can be obtained from the CalPERS website.

According to Paragraph 30 of GASB 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. For the CalPERS Plan, the 7.65% investment return assumption

**Tahoe City Public Utility District**  
**Notes to the Basic Financial Statements**  
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**10. PENSION PLANS, Continued**

used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular asset liability management review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the year ended 2017-18. CalPERS will continue to check the materiality of the difference in calculation until such time as CalPERS has changed their methodology.

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. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the Plan's asset classes, expected compound (geometric) returns were calculated over the short-term (first 11 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for the Plan. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The following table reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	New		
	Strategic Allocation	Real Return Years 1- 10 (a)	Real Return Years 11+ (b)
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	20.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	1.00%	-0.55%	-1.05%
Total	100.00%		

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

(b) An expected inflation rate of 3.0% used for this period

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

**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 the Plan, calculated using the discount rate for the 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 than the current rate:

	Discount Rate -1% (6.5%)	Current Discount Rate (7.5%)	Discount Rate + 1% (8.5%)
Plan's Net Pension Liability / ( Asset)	14,241,142	\$ 9,525,375	5,628,025

**Pension Plan Fiduciary Net Position**

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

**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 2016, the District paid \$158,924 toward retiree medical premiums and \$28,132 for retiree dental and vision claims, which amounted to \$187,056, as contributions to OPEB. TCPUD also placed \$76,904 into the CERBT, to be applied towards the OPEB obligation. This provided for \$258,228 as total contributions in 2016 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**  
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**11. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS, Continued**

Annual required contribution	\$ 258,228
Interest adjustment	5,283
Annual OPEB Expense	263,511
Contribution made	263,960
Decrease in net OPEB asset	449
Net OPEB Asset - beginning of year	310,014
Net OPEB Asset - end of year	\$ 310,463

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, 2016 and the last four previous fiscal years are as follows:

Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Asset
2012	\$ 238,730	100.0%	\$ 318,212
2013	\$ 244,320	98.7%	\$ 315,073
2014	\$ 247,280	99.0%	\$ 312,562
2015	\$ 260,207	99.0%	\$ 310,014
2016	\$ 263,511	100.2%	\$ 310,463

*Funded Status and Funding Progress* - As of December 31, 2016, the actuarial accrued liability for benefits was \$3,368,190 of which \$1,387,627 was funded in the CERBT. The covered payroll (annual payroll of active employees covered by the plan) was \$3,814,687 and the ratio of the unfunded actuarial liability to the covered payroll was 51.9%.

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.

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For the year ended December 31, 2016**

**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, 2016. 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, 2016 was 23 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, 2016</u>	<u>September 30, 2015</u>
Total assets	\$ 189,566,761	\$ 194,775,717
Deferred Outflows	1,065,779	625,033
Total liabilities	121,474,323	113,339,814
Deferred Inflows	454,600	846,155
Total net assets	68,703,617	80,933,818
Total operating revenues	146,991,398	157,661,735
Total operating expenses	161,601,971	164,195,428

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

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

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

The District pays premiums to the ACWA-JPIA for general liability and property insurance based upon actuarial calculations and pays workers' compensation insurance based upon actual payroll classified into rate categories pursuant to the rules published by the California Workers' Compensation Insurance Rating Bureau. The ACWA-JPIA agrees to pay all amounts legally required by California workers' compensation

**Tahoe City Public Utility District  
Notes to the Basic Financial Statements  
For the year ended December 31, 2016**

**12. RISK MANAGEMENT, Continued**

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 2016, 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 \$19,564 at December 31, 2016.

**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 33 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, 2016**

**15. RELATED PARTY TRANSACTIONS, Continued**

For fiscal year 2016 the District has contracted with AEC for the following projects and provided payments in the amounts as follows:

Project Name	Amount
Alpine Peaks Sewer Line Rehabilitation	\$ 303
Consulting Fees	1,237
Dollar 1 (Edgewater) Backup Power	5,486
Ice Rink	62,022
Joint Wetlands Mitigation	672
Tahoe City Sewer System Rehabilitation	5,353
Tahoe City Well No. 2 & 3 Easement	303
Tahoe Park Water System Interconnection	11,268
Truckee River Overlay	30,709
Truckee River Trail Stabilization & Restoration	33,257
Urban Water Master Plan	22,023
West Shore Export Crossing	1,575
Winter Sports Park Snowmaking	4,991
	\$ 179,199

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## Required Supplementary Information

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## 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, 2016

Budgetary Comparison Schedule - General Fund

	Budget Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Fees	\$ 460,895	\$ 460,895	\$ 410,153	\$ (50,742)
Property taxes	5,144,849	5,144,849	5,995,191	850,342
Interest	44,424	44,424	120,327	75,903
Grants	3,178,365	3,178,365	2,718,957	(459,408)
Other	186,078	186,078	508,067	321,989
<b>Total revenues</b>	<b>9,014,611</b>	<b>9,014,611</b>	<b>9,752,695</b>	<b>738,084</b>
<b>EXPENDITURES:</b>				
Current:				
Public works - Parks	2,573,102	2,573,102	2,333,481	239,621
Recreation	702,428	702,428	672,401	30,027
Other operating	190,267	190,267	103,784	86,483
Capital outlay	3,511,386	3,511,386	3,230,849	280,537
<b>Total expenditures</b>	<b>6,977,183</b>	<b>6,977,183</b>	<b>6,340,515</b>	<b>636,668</b>
<b>REVENUES OVER EXPENDITURES</b>	<b>2,037,428</b>	<b>2,037,428</b>	<b>3,412,180</b>	<b>1,374,752</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from sales of asset	360	360	-	(360)
Transfers out to other funds			(5,508,259)	(5,508,259)
<b>Total other financing sources (uses)</b>	<b>360</b>	<b>360</b>	<b>(5,508,259)</b>	<b>(5,508,619)</b>
<b>REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b>\$ 2,037,788</b>	<b>\$ 2,037,788</b>	<b>(2,096,079)</b>	<b>\$ (4,133,867)</b>
<b>FUND BALANCES:</b>				
Beginning of year			10,270,115	
End of year			<u>\$ 8,174,036</u>	

Tahoe City Public Utility District  
 Required Supplementary Information  
 As of June 30, 2016 (Measurement Date)

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

	Measurement Date June 30, 2015	Measurement Date June 30, 2016
Plan's Proportion of the Net Pension Liability/(Asset)	0.28881%	0.27420%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$7,923,418	\$9,525,375
Plan's Covered-Employee Payroll**	\$3,460,301	\$3,704,592
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	217.39%	257.12%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	77.67%	72.81%
Plan's Proportionate Share of Aggregate Employer Contributions	\$904,952	\$949,673

Notes to Schedule:

Changes of benefit terms - In 2016, there were no changes to the benefit terms.

Changes in assumptions - In 2016, there were no changes in assumptions.

\* Fiscal Year 2015 was the first year of implementation, therefore only 2 years are shown.

\*\* Valuation year payroll increased by assumed 3% increase.



Tahoe City Public Utility District  
 Required Supplementary Information  
 For the year ended December 31, 2016

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)
12/31/2012	\$ 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%
12/31/2016	1,387,627	3,368,190	1,980,563	41.2%	3,814,687	51.9%

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# STATISTICAL SECTION

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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 78-80

*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 81-82

*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 83-85

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

Operating Information 86-90

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

## Net Position by Component

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

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Governmental activities</b>										
Net Investment in capital assets	\$ 27,344,369	\$ 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
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	4,073,347	5,842,369	8,826,600	3,149,351	349,651	1,642,768	1,122,150	702,001	684,901	612,381
Total governmental activities net position	\$ 31,417,716	\$ 31,330,783	\$ 31,839,467	\$ 28,722,302	\$ 26,463,119	\$ 20,412,724	\$ 19,932,473	\$ 18,871,112	\$ 19,316,801	\$ 20,620,586
<b>Business-type activities</b>										
Net Investment in capital assets	\$ 36,342,147	\$ 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
Restricted	65,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000	83,592	-
Unrestricted	12,598,329	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
Total business-type activities net position	\$ 49,005,476	\$ 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
<b>Primary Government</b>										
Net Investment in capital assets	63,686,516	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
Restricted	65,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000	83,592	-
Unrestricted	16,671,676	12,060,104	21,856,129	15,406,909	10,589,254	11,541,471	6,540,026	5,195,417	3,189,716	2,660,681
Total primary government net position	\$ 80,423,192	\$ 72,953,208	\$ 77,237,795	\$ 72,355,080	\$ 66,611,583	\$ 57,201,378	\$ 52,332,819	\$ 48,605,882	\$ 47,079,771	\$ 46,874,885

## Change in Net Position

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

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Expenses:</b>										
<i>Governmental activities:</i>										
Direct expenses	\$ 4,774,281	\$ 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
Indirect expenses	93,751	(123,271)	163,378	201,516	775,526	679,712	639,589	533,826	609,917	657,992
Total expenses	4,868,032	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
<i>Business-type:</i>										
Direct expenses	\$ 7,388,773	\$ 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
Indirect expenses	50,439	(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
Total expenses	7,439,212	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
<b>Program Revenue</b>										
<i>Governmental activities:</i>										
Charges for services	645,256	608,297	628,803	678,198	601,878	504,867	467,704	471,928	462,159	431,039
Operating grants and contributions	394,768	349,078	334,610	305,861	367,184	374,326	297,996	366,644	310,358	287,041
Capital grants and contributions	2,585,198	373,169	968,622	257,535	4,346,031	2,194,414	1,157,357	60,519	217,104	866,486
Property taxes	6,717,678	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
Investment earnings	120,327	88,257	51,736	(1,790)	(268)	5,356	6,153	8,945	13,178	18,258
Transfers	(5,508,259)	-	-	-	-	(3,242,422)	(1,950,000)	(2,600,000)	(3,150,000)	(6,000,000)
Total program revenues	4,954,968	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
<i>Business-type</i>										
Charges for services	8,931,132	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
Operating grants and contributions	-	-	-	-	239,547	314,735	61,218	-	28,000	-
Capital grants and contributions	211,035	-	202,026	1,572,553	2,035,785	400,000	541,489	136,185	-	13,444
Property taxes	23,290	23,287	23,287	23,287	19,951	44,526	64,457	107,095	104,095	104,095
Investment earnings	148,549	118,439	104,797	104,964	70,904	36,632	27,086	45,335	71,830	106,363
Transfers	5,508,259	-	-	-	-	3,242,422	1,950,000	2,600,000	3,150,000	6,000,000
Total program revenues	14,822,265	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
<b>Total Program Revenue</b>	\$ 19,777,233	\$ 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
<b>Net Expense</b>										
<i>Governmental activities:</i>										
Business-type	\$ (4,868,032)	\$ (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)
	(7,439,212)	(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)
	\$ (12,307,244)	\$ (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)

## 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									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General Fund										
Nonspendable	\$ 153,770	\$ 168,226	\$ 93,903	\$ 28,811	\$ 65,553	\$ 45,268	\$ 41,354	\$ -	\$ -	\$ -
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	1,164,629	964,493	770,962	450,000	450,000	450,000	450,000	50,000	50,000	50,000
Unassigned	6,855,983	9,137,743	6,552,781	4,308,435	1,804,519	1,302,831	785,523	823,902	796,067	686,318
Total general fund	\$ 8,174,382	\$ 10,270,462	\$ 7,417,646	\$ 4,787,246	\$ 2,320,072	\$ 1,798,099	\$ 1,276,877	\$ 873,902	\$ 846,067	\$ 736,318

Property Tax Uses

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

Fiscal Year	Parks		% Change Inc. (Dec.)		Recreation	% Change Inc. (Dec.)		Golf Course Property	% Change Inc. (Dec.)		Debt Service	% Change Inc. (Dec.)		Reserves / Capital Expenditures	% Change Inc. (Dec.)		Total	% Change Inc. (Dec.)		
	Year	2007	2008	2009		2010	2011		2012	2013		2014	2015		2016	2007			2008	2009
2007	\$1,166,078	26.3%	\$467,735	24.0%	\$489,770	0%	n/a	\$2,803,197	1.7%	\$4,926,780	8.7%	\$2,803,197	1.7%	\$4,926,780	8.7%	\$4,926,780	8.7%			
2008	\$1,372,165	17.7%	\$485,019	3.7%	\$745,015	0%	n/a	\$2,619,389	-6.6%	\$5,221,588	6.0%	\$2,619,389	-6.6%	\$5,221,588	6.0%	\$5,221,588	6.0%			
2009	\$1,289,308	-6.0%	\$435,535	-10.2%	\$858,863	0%	n/a	\$2,897,494	10.6%	\$5,481,200	5.0%	\$2,897,494	10.6%	\$5,481,200	5.0%	\$5,481,200	5.0%			
2010	\$1,414,956	9.7%	\$408,705	-6.2%	\$819,476	0%	n/a	\$2,619,389	-9.6%	\$5,262,526	-4.0%	\$2,619,389	-9.6%	\$5,262,526	-4.0%	\$5,262,526	-4.0%			
2011	\$1,533,522	8.4%	\$380,080	-7.0%	\$966,637	0%	n/a	\$2,259,286	-13.7%	\$5,139,525	-2.3%	\$2,259,286	-13.7%	\$5,139,525	-2.3%	\$5,139,525	-2.3%			
2012	\$1,247,270	-18.7%	\$503,378	32.4%	\$1,112,040	0%	\$25,293	\$2,381,131	5.4%	\$5,269,112	2.5%	\$2,381,131	5.4%	\$5,269,112	2.5%	\$5,269,112	2.5%			
2013	\$1,297,872	4.1%	\$285,373	-43.3%	\$961,632	262%	\$91,530	\$2,956,231	24.2%	\$5,592,638	6.1%	\$2,956,231	24.2%	\$5,592,638	6.1%	\$5,592,638	6.1%			
2014	\$1,376,581	6.1%	\$317,206	11.2%	\$779,012	10%	\$100,568	\$3,163,448	7.0%	\$5,736,815	2.6%	\$3,163,448	7.0%	\$5,736,815	2.6%	\$5,736,815	2.6%			
2015	\$1,469,973	6.8%	\$331,410	4.5%	\$745,865	75%	\$175,510	\$3,615,062	-4.3%	\$6,337,820	10.5%	\$3,615,062	-4.3%	\$6,337,820	10.5%	\$6,337,820	10.5%			
2016	\$1,331,901	-9.4%	\$312,040	-5.8%	\$745,777	96%	\$344,221	\$4,040,790	11.8%	\$6,774,729	6.9%	\$4,040,790	11.8%	\$6,774,729	6.9%	\$6,774,729	6.9%			

## 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 Golf	Fees for Service Rec	Grants for Rec	Total
2006	\$ 170,228	\$ 223,716	n/a	\$ 261,147	\$ 1,800	\$ 656,891
2007	\$ 200,752	\$ 248,565	n/a	\$ 274,882	\$ 5,250	\$ 729,448
2008	\$ 213,748	\$ 234,158	n/a	\$ 303,071	\$ 15,250	\$ 766,227
2009	\$ 208,012	\$ 325,002	n/a	\$ 295,401	\$ 9,976	\$ 838,391
2010	\$ 245,755	\$ 230,679	n/a	\$ 264,712	\$ 21,798	\$ 762,943
2011	\$ 294,608	\$ 264,243	n/a	\$ 302,423	\$ 11,324	\$ 872,598
2012	\$ 303,501	\$ 287,005	\$ 22,210	\$ 312,355	\$ 29,179	\$ 954,250
2013	\$ 318,224	\$ 284,499	\$ 22,180	\$ 317,335	\$ 18,729	\$ 960,967
2014	\$ 268,813	\$ 306,621	\$ 21,628	\$ 304,200	\$ 13,974	\$ 915,236
2015	\$ 317,870	\$ 314,474	\$ 28,030	\$ 290,234	\$ 20,836	\$ 971,443
2016	\$ 335,828	\$ 329,817	\$ 25,470	\$ 295,913	\$ 64,441	\$ 1,051,469

*TCPUD acquired the golf course in 2012 but was operated by a concessionaire. In 2016 TCPUD assumed the operation of the golf course property and restated golf revenue separate from parks revenue.*

Change in Assessed Value

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

Fiscal Year	Placer County		El Dorado County	
	Amount	% Change	Amount	% Change
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%
2016/2017	\$ 3,699,976,391	2.38%	\$ 991,180,172	5.09%

## Change in School Enrollment

### Tahoe City Public Utility District Change in School Enrollment Last Ten Fiscal Years (unaudited)

Fiscal Year	Tahoe Lake Elementary School		North Tahoe Middle School		North Tahoe High School	
	Number of Students	% Change	Number of Students	% Change	Number of Students	% Change
2007/2008	273	10.53%	256	-10.49%	375	-7.41%
2008/2009	291	6.59%	275	7.42%	373	-0.53%
2009/2010	295	1.37%	479	74.18%	354	-5.09%
2010/2011	251	-14.92%	508	6.05%	334	-5.65%
2011/2012	255	1.59%	513	0.98%	320	-4.19%
2012/2013	330	29.41%	424	-17.35%	303	-5.31%
2013/2014	322	-2.42%	406	-4.25%	326	7.59%
2014/2015	321	-0.31%	422	3.94%	325	-0.31%
2015/2016	303	-5.61%	430	1.90%	362	11.38%
2016/2017	279	-7.92%	446	3.72%	398	9.94%

*Source: California Department of Education*

Tahoe City Public Utility District  
Ten Largest Customers  
Current Year and 2011

**2016**

**2011**

Customer	Total Revenue	Rank	Customer	Total Revenue	Rank
Tahoe Truckee Unified School District	\$ 63,344	1	Tahoe Truckee Unified School District	\$ 41,919	1
Homewood Village Resort	\$ 27,179	2	North Tahoe Public Utility District	\$ 17,096	2
US Department of Agriculture	\$ 21,025	3	Homewood Village Resort	\$ 14,535	3
North Tahoe Public Utility District	\$ 19,245	4	US Department of Agriculture	\$ 13,796	4
Channel Lumber CO	\$ 17,091	5	Channel Lumber CO	\$ 13,525	5
Save Mart Supermarkets	\$ 12,071	6	Save Mart Supermarkets	\$ 12,614	6
Safeway Inc	\$ 11,011	7	Granlibakken Resort	\$ 11,921	7
Tahoe Lodging LLC	\$ 10,731	8	Tahoe Yacht Harbor	\$ 11,263	8
Granlibakken Resort	\$ 9,136	9	Tahoe Lodging LLC	\$ 11,105	9
Tahoe Yacht Harbor	\$ 7,971	10	Dollar Point Association	\$ 8,027	10

*Excludes TCPUID Owned Facility Water Use*

Ten Largest Customers

Full Time Staffing Levels

TAHOE CITY PUBLIC UTILITY DISTRICT

Full Time Staffing Levels

Last Ten Fiscal Years (unaudited)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Utilities	14.86	13.88	14.31	14.00	14.00	14.00	13.00	14.00	14.00	14.00
Administrative Services (frmly G&SS)	10.17	9.17	9.17	9.00	10.00	10.00	9.00	9.50	8.00	9.00
Engineering	3.90	5.63	5.08	4.00	4.00	3.00	3.00	2.50	3.00	3.00
Support Services (frmly Technical/Compliance Svcs)	6.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Parks and Recreation Administration	1.00	1.00	1.00	1.00	2.00	2.00	2.00	2.00	2.00	2.00
Parks	6.40	6.22	6.44	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Recreation	2.50	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Budgeted not Filled	-	-	-	-	-	2.00	-	-	-	-
Golf	1.91	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>46.74</b>	<b>41.90</b>	<b>42.00</b>	<b>39.00</b>	<b>41.00</b>	<b>42.00</b>	<b>38.00</b>	<b>39.00</b>	<b>38.00</b>	<b>39.00</b>

## Full Time Equivalents

### TAHOE CITY PUBLIC UTILITY DISTRICT

#### Full Time Equivalents

Last Four Fiscal Years (unaudited)

	2017	2016	2015	2014	2013
Water	7.72	8.03	7.30	7.26	7.41
Sewer	8.64	8.33	7.58	7.55	7.97
Engineering	2.00	3.70	3.73	3.26	2.74
Support Services (frmlly Technical/Compliance Svcs)	5.55	4.00	4.03	3.80	3.65
Projects	1.90	1.72	1.90	2.50	1.90
Parks	12.14	12.31	12.29	12.23	11.48
Recreation	7.07	6.95	6.92	6.94	6.88
Administrative Services (frmlly G&SS)	10.17	9.92	9.57	9.60	9.83
<b>Total</b>	<b>55.19</b>	<b>54.96</b>	<b>53.32</b>	<b>53.14</b>	<b>51.86</b>

*Note: Ten years of FTE data not available*

## Operating Indicators by Function

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

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Utilities:</b>										
Water Production (million gallons)	351.8	329.0	413.7	470.8	482.7	415.7	456.5	501.5	593.5	645.4
Sewer Flows (million gallons)	220.6	176.8	200.3	238.1	258.3	314.6	256.2	256.7	269.8	311.6
Lineal feet of sewer mains televised	142,558	119,015	68,913	170,942	207,204	175,197	95,000	157,654	158,400	198,000
Lineal feet of sewer mains cleaned	298,015	252,854	440,013	287,084	483,856	409,260	422,000	517,000	519,000	528,000
<b>Technical Services:</b>										
Permits Issued - New	15	15	16	11	6	5	12	10	28	29
Permits Issued - Remodel	150	141	132	144	138	93	106	98	121	94
Number of Sewer Air Tests	314	297	326	304	310	251	221	198	184	219
Escrow Clearances Processed	204	204	219	240	202	169	150	124	84	164
Plan Checks Completed	188	161	169	144	140	88	108	92	139	148
<b>Parks:</b>										
Miles of trails Maintained	23	22	22	22	19	19	19	19	19	19
Number of Facility Rentals <sup>1</sup>	229	246	179	154	173	150	174	247	5	NA
<b>Recreation:</b>										
Numbers enrolled in Youth Programs <sup>2</sup>	605	1080	970	1246	643	1123	1180	1369	124	NA
Numbers enrolled in Adult Programs <sup>3</sup>	95	147	178	113	158	154	139	159	18	NA
Number of camp enrollees <sup>4</sup>	1018	796	733	708	649	731	647	636	NA	NA

<sup>1</sup> Facility Rentals include Fairway Community Center, Tahoe Community Center, Highlands Community Center, Rideout, Commons Beach, Lake Forest Beach, Skylanida Park, Marie Sluchak Park, Kilner Park and Heritage Plaza. Excludes ball fields or trails.

<sup>2</sup> Youth Programs Include: All Rideout classes, contract classes, youth sports, snow days, RAP, Night out at Rideout, swim lessons, and swim team.

Numbers were re-defined in 2016 to include only enrollment numbers as opposed to participant numbers.

<sup>3</sup> Adult Programs Include: Adult Sports, Sailing, Puppy Training, and yoga. Numbers were re-defined beginning 2016 to include enrollment as opposed to participant numbers.

<sup>4</sup> Camps Include: Skylandia, Sailing, Specialty Camps, Spring Break Camp, Ski Skate Camp, winter/holiday camps, explorers adventure.

User Statistics

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

Program	Unit of Measurement	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Water	Customers	4,167	4,168	4,173	4,188	4,088	4,088	3,980	3,947	3,910	3,899
Sewer	Customers	7,674	7,665	7,645	7,636	7,636	7,636	7,504	7,466	7,443	7,362
Camp Skylandia	Enrolled Campers	714	736	641	615	601	692	637*	637*	637*	637*
Concerts at Commons Beach	Individual Attendees	23,000	16,550	15,525	20,550	23,200	26,050	19,095	17,047	15,505	n/a
Tahoe City Golf Course	Rounds Played	10,228	12,832	9,974	11,637	11,060	n/a	n/a	n/a	n/a	n/a
Lake Forest Boat Ramp	Boats Launched	6,860	5,280	5,005	4,476	4,532	4,030	4,946	5,739	4,395	4,284

\* estimated

n/a - data not available

Source: Tahoe City Public Utility District

Water and Sewer Base 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 Sewer Base Rate	Monthly Sewer Base Rate
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
2016	\$62.50	\$75.25	\$38.41	\$15.63

Rates adjusted January 1. Prior to 2015, rates were adjusted at April 1 of each year.