

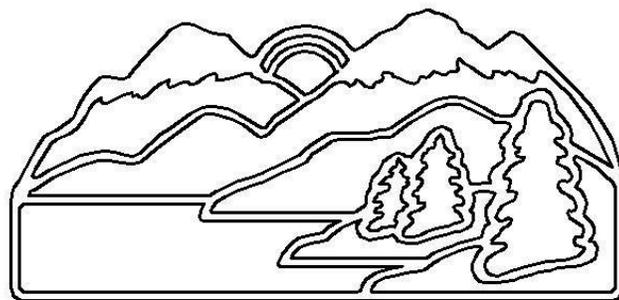
**Tahoe City  
Public Utility District**

**Tahoe City, California**

**Comprehensive  
Annual Financial Report  
For the Year Ended  
December 31, 2017  
With  
Independent Auditor's Report**

Prepared by the Accounting Department

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## Mission Statement

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

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

## Tahoe City Public Utility District Board of Directors



From left to right: Scott Zumwalt, Dan Wilkins, Judy Friedman, John Pang and 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.



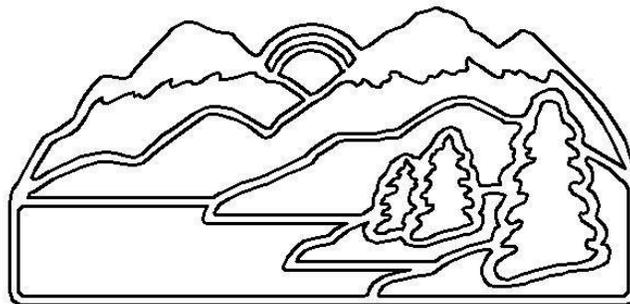
**Sean Barclay, General Manager**

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

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**INTRODUCTORY SECTION**  
**Letter of Transmittal**

**June 8, 2018**

**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, 2017. 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, 2017.

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, 2017. The independent auditor's report is located at the front of the financial section of this report.

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

## Profile of the Tahoe City Public Utility District

The TCPUD was founded in 1938 to provide some of the governmental needs for the residents of Tahoe City. It is the oldest local government in the Tahoe Basin and was formed initially to provide public water service to the local community. Established under the State of California's Public Utility District Act, the founders of the TCPUD chose a form of government that could provide multiple types of services. The TCPUD provides sewer collection and transportation; water production and distribution services; and parks, facilities and recreation services for the entire area of the TCPUD.

Water service is provided in eight separate systems and serves approximately three-quarters of the homes and businesses in the district.

Water customers - 5,701

Sewer customers - 7,689

Parks and Recreation customers - over 1,000,000

TCPUD operates and maintains 23 miles of bike trails, parks, a golf course with summer and winter activities, beaches, a boat launching facility, campground, and the Tahoe City downtown sidewalks. In addition, the TCPUD sponsors numerous recreation programs, operates the Fairway 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, Sean Barclay, 50 full time employees and 60 seasonal employees provide the listed services. Employees serve in five departments: Utilities, which includes water and sewer operations; Parks & Recreation; Engineering; 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 annual operating and capital budget. The TCPUD uses property tax, user fees, grants and interest income to provide its services.

The Tahoe City Public Utility District Public Facilities Financing Corporation is deemed to be a blended component unit of TCPUD and has a December 31 year-end, has no assets, liabilities, or activity as of and for the year ended December 31, 2017. For additional information see notes to the financial statements (note 1. A Reporting Entity).

## Year in Review

January 2017 saw a series of “atmospheric river” storms that hammered the Lake Tahoe Region. These storms delivered record breaking rain and snowfall numbers, sending our parks and utility crews into a state of emergency and working around the clock. Our dedicated crews sustained uninterrupted water and sewer services for all TCPUD customers for 9 days without power during this unprecedented weather event. The storms disrupted cell and land line phone service and caused widespread and prolonged power outages in the region, especially along the West Shore of Lake Tahoe. Despite many road closures and driving being generally unsafe, the TCPUD kept their doors open.

The administration office staff kept the community informed by collaborating with partners, utilizing social media, and posting flyers around town. The Board Room was converted into a community warming hut, provided charging stations powered by emergency generators and acted as an overnight shelter for those who could not get home or had no heat. It was truly inspiring to watch all departments of the TCPUD come together, working around the clock, committed and dedicated to our customers and community.

## Financial Information

TCPUD’s overall financial position improved in 2017. Net position government-wide at year end totaled \$85,324,212, increasing by \$4,901,020 or 6.1% at year end. The increase is largely attributable to operating revenue increasing \$1,134,562 compared to last year’s actuals. The increased operating revenue is largely attributable to water and sewer rate increases, kayak rental income, golf revenues and operating grants. Also, adding to the positive trend over last year’s actuals are property tax of \$319,658, investment income of \$88,688 and proceeds from sale of assets \$149,650.

General Fund unassigned fund balance increased \$3,594,670, largely due to property tax increases, kayak rental income and golf revenues. The Proprietary Fund net position increased \$1,866,788 as a result of water and sewer rate increases, net position unrestricted decreased \$394,504 and net investment in capital assets increased \$2,275,092.

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.

## Strategic Plan and Initiatives

TCPUD’s 2016-2019 Strategic Plan was adopted by the Board of Directors on May 20, 2016 and is revisited each year in conjunction with the budget cycle. 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 and workload; 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 guide 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 environmental 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. 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.

California is recovering from one of the severest droughts on record and early in 2017, Governor Brown ended the drought state of emergency for most of California, while maintaining water reporting requirements and prohibitions on wasteful practices. Incorporating lessons learned from the drought, TCPUD's budget reflects the new normal of realized reduced consumption revenue. Consumption revenue represents 28.5% of TCPUD's water revenue.

### Looking Forward

2018 marks a big change in TCPUD utility operations as the year begins with the acquisition of three new water systems; Madden Creek, Tahoe Cedars, and Timberland. These acquisitions increase TCPUD water customer base by approximately 36% and represent a significant step toward consolidation of all water systems within the District boundary. 2018 also marks the first full season of direct operations of the Tahoe City Winter Sports Park, and the second season of direct operations of the Tahoe City Golf Course. Along with these operational changes, TCPUD continues to maintain a full capital project schedule.

TCPUD will continue its commitment towards accountability and transparency while keeping TCPUD's Core Values of Service, Professionalism, Teamwork, Initiative, and Communication at the forefront. The five-year capital plan is estimated at \$58,610,164. The successful adoption of the 2015-2019 water and sewer rates through a Proposition 218 rate process will allow critical water and sewer infrastructure improvements to move forward by contributing funding to the water and sewer five-year capital plans, currently estimated at \$43,475,020. Beginning in 2018 and continuing into 2019, TCPUD will begin developing strategies for the next water and sewer rate study. TCPUD is also actively pursuing grant funding and considering other financing activities for water and sewer capital. The remaining \$15,135,144, of the \$58,610,164 five-year capital plan is for General Fund (Parks, Recreation and G&AS) and will be funded through property tax, grants and contributions.

Providing extraordinary customer service and maintaining the Transparency Certificate of Excellence from the Special District Leadership Foundation is a commitment TCPUD will maintain. This certificate mandates implementation of the "best practices" in local government. Achieving this distinction sends a clear message that TCPUD is committed to engaging the public and creating greater awareness of TCPUD's activities by remaining open and accessible.

Community involvement is critical to TCPUD's success and continuing to engage in dialogue and collaboration with our community, local agencies, Placer County, and the State will strengthen these important relationships. TCPUD remains involved in community projects such as the CA FLAP SR89 (Fanny Bridge) project, and the Meeks Bay Trail project and engaged with community partners on regional workforce housing challenges.

TCPUD has entered into an agreement with Kila Tahoe, LLC., and the developer of the Tahoe City Lodge project adjacent to the Tahoe City Golf Course (TCGC). This project is an important redevelopment project in the Tahoe City commercial core and the agreement helps to facilitate the project by providing for the use of certain development rights from the TCGC property. TCPUD and numerous partner agencies acquired ownership of the TCGC in 2012 and executed a Memorandum of Understanding to outline each partner's respective goals and responsibilities relative to their financial contributions. The Tahoe City Lodge agreement represents progress towards addressing the individual partners' purposes for their financial contribution. Substantial work will continue in 2018 to move the project forward.

In 2018 the TCPUD will kick off a Long-Term Financial Plan process. The resulting plan will become an essential governance and management tool for the District and one of the key components of an overall organizational strategic plan. While work on the official Long-Term Financial Plan will continue into 2019, beginning in 2018 staff will bring information to the Board of Directors intended to bring the Board, the public and staff to an equal level of understanding of the District's current financial position, capital infrastructure needs, project commitments and goals, and existing financial policies. During this time, staff will continue maintaining annual forecasts and prepare a ten-year forecast by fund to ensure continued financial stability and sustainability. Staff will also continue to focus attention on changing circumstances, including rising pension and other post-employment benefit (OPEB) costs, health care costs and staffing needs.

### 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 and other key TCPUD staff members. 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.

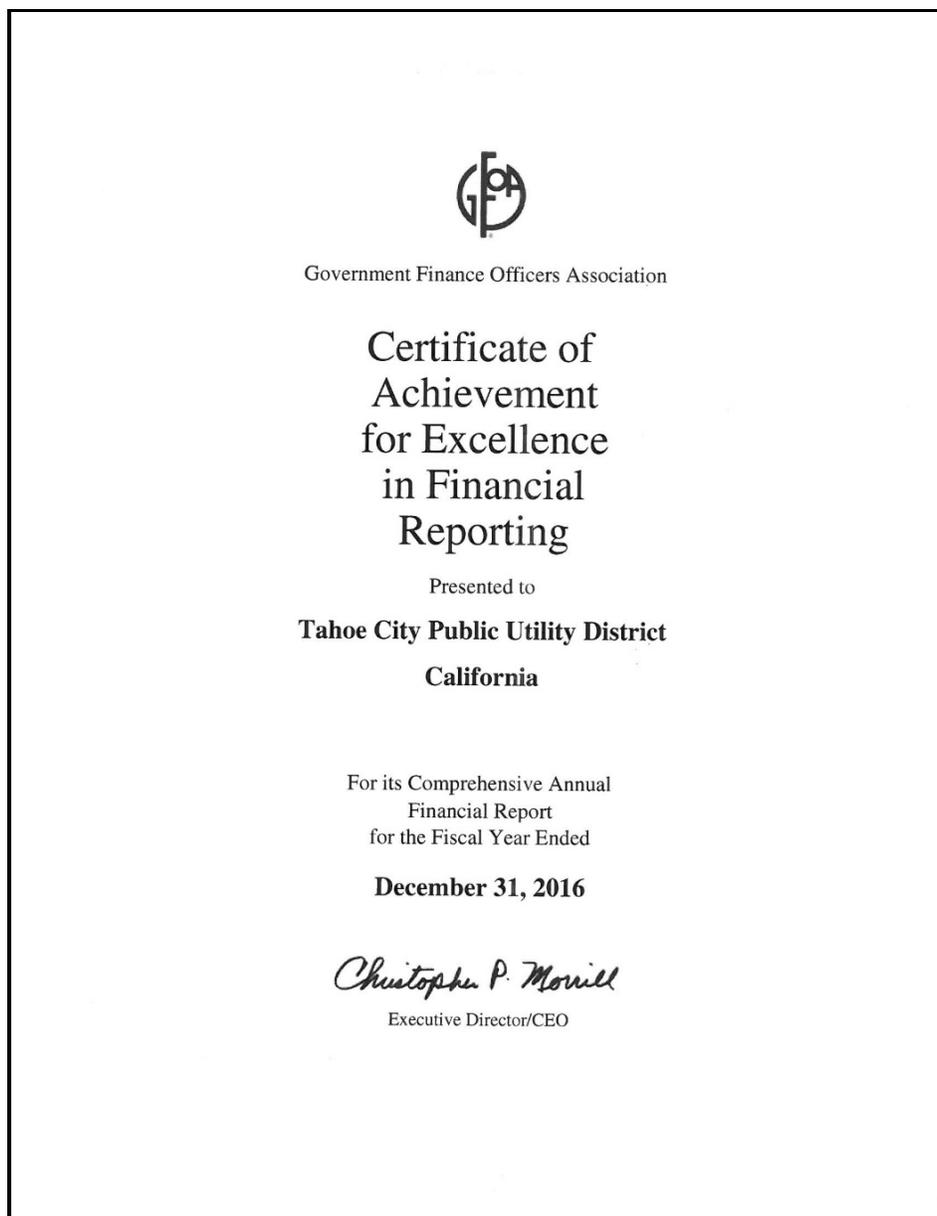
Respectfully submitted,

  
Sean Barclay  
General Manager

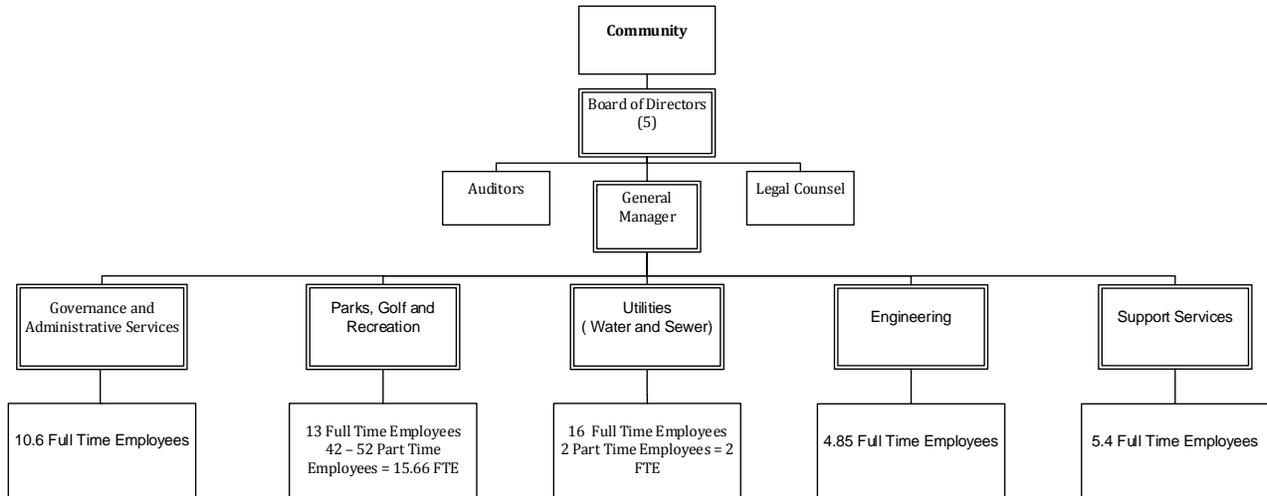
  
Ramona Cruz  
Chief Financial Officer/Treasurer

## GFOA Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Tahoe City Public Utility District for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2016. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. Management believes our current report continues to conform to the Certificate of Achievement program requirements.



## TCPUD Wide Organizational Chart



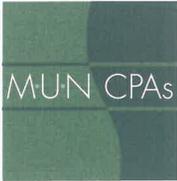
### List of Elected and Appointed Officials

#### 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	Sean Barclay
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, 2017, 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, 2017, 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 for other post-employment benefits, and budgetary comparison information on pages 11–26 and 76-80 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 June 5, 2018, 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.

Sacramento, California  
June 5, 2018

## 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 year ended December 31, 2017. 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

- During the year \$3,765,105 was invested in water and sewer and \$754,939 in general fund infrastructure and equipment.
- Water and Sewer service and inspection fees were \$4,870,610 and \$4,539,085, respectively.
- Water and Sewer operating revenue is up \$823,897, 9.1% due to rate increase, increased water consumption and federal assistance for the early 2017 winter storms.
- Property tax revenue is \$7,060,626, up \$319,658 from the previous year.
- During fiscal year 2017, the District recognized \$566,490 in operating grants.
- During fiscal year 2017, the District recognized \$296,484 in capital grants. The grant money was used for parks and water infrastructure. Capital grant funding trends continue to decline from previous years.
- 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) 2017 by \$85,324,212 (net position). Of this amount, \$20,070,132 is unrestricted, \$65,000 is restricted for specific purpose, and \$65,189,080 is net investment in capital assets.
- Changes in Net Position: TCPUD's total net position increased \$4,901,020 or 6.1 % during the fiscal year, primarily due to increased revenues derived from rate and property tax increases over prior year.
- Governmental Funds: As of December 31, 2017, TCPUD's governmental funds reported a combined ending fund balance of \$11,708,804, an increase of \$3,534,421 from prior year. Approximately 88.0% of the unassigned fund balance, or \$10,371,710, is available for spending at the government's discretion (unassigned fund balance).
- Long-Term Liabilities: TCPUD's total long-term debt decreased by \$714,633. All scheduled debt payments were made on time.
- General Fund: At December 31, 2017, unassigned fund balance of the General Fund was \$10,371,710. This represents an increase of \$3,516,103 or 51.3% from prior year. Unassigned fund balance includes \$1,089,053 or 10.4% for the General Fund budget stabilization as required by TCPUD's financial policy.

### Overview of the Financial Statements

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 and sewer operations, technical and engineering services.

The government-wide financial statements can be found on pages 30 and 31 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 75 for the general fund to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 34-37 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 41-72.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the TCPUD's progress in funding its obligation to provide pension benefits and Other Post-Employment Benefits (OPEB) to its employees. Required supplementary information begins on page 73 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 \$ 85,324,212 at the close of the most recent fiscal year.

By far, the largest portion of the TCPUD's net position (76.4%) 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 \$751,574 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.

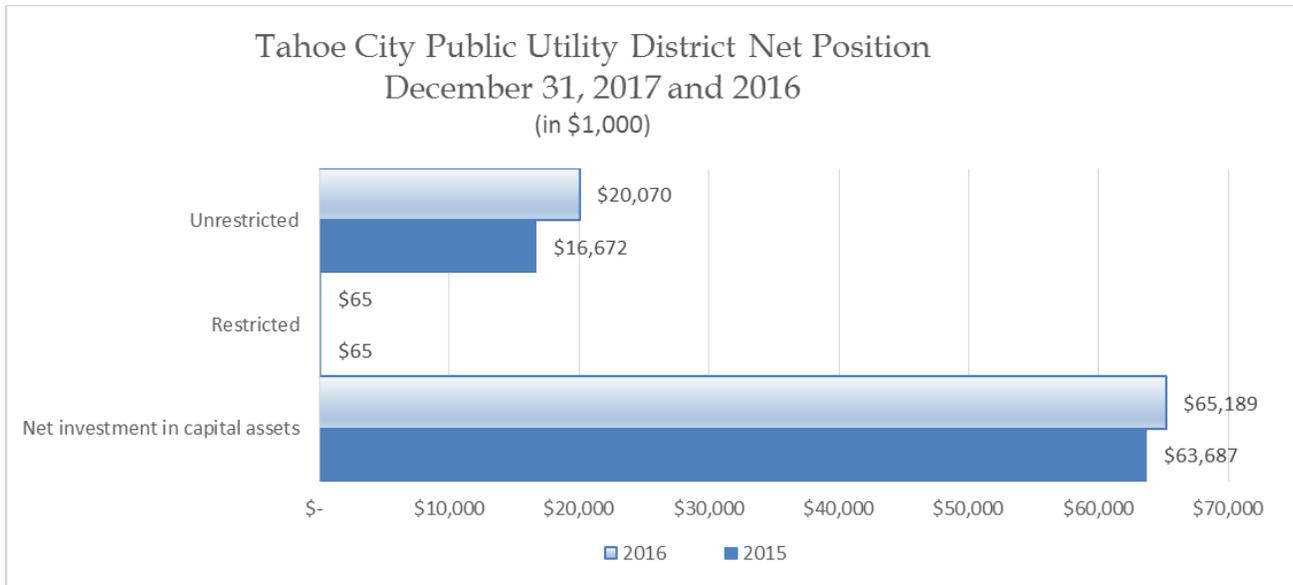
## Management Discussion and Analysis, continued

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

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Assets:</b>						
Cash and investments	\$ 8,127,210	\$ 2,671,192	\$ 16,350,594	\$ 17,156,098	\$ 24,477,804	\$ 19,827,290
Cash and investments – restricted	11,493	19,585	-	-	11,493	19,585
Receivables	4,177,605	6,243,776	724,026	558,094	4,901,631	6,801,870
Other current assets	172,113	67,766	606,498	646,005	778,611	713,771
Total current assets	12,488,421	9,002,319	17,681,118	18,360,197	30,169,539	27,362,516
Investments – restricted	13,800	-	51,277	65,077	65,077	65,077
Facility upgrade receivables	-	-	12,047	9,029	12,047	9,029
Other postemployment benefits, net	78,597	-	244,226	310,463	322,823	310,463
Net capital assets	27,979,572	29,117,756	38,821,973	36,514,825	66,801,545	65,632,581
Total assets	40,560,390	38,120,075	56,810,641	55,259,591	97,371,031	93,379,666
Deferred outflows of resources	1,466,640	1,141,198	2,863,089	1,849,266	4,329,729	2,990,464
<b>Liabilities:</b>						
Payables and accruals	449,438	587,274	876,024	1,467,869	1,325,462	2,055,143
Unearned revenue	31,744	14,882	97,932	97,932	129,676	112,814
Long-term debt – current	447,007	672,749	42,682	41,883	489,689	714,632
Total current liabilities	928,189	1,274,905	1,016,638	1,607,684	1,944,827	2,882,589
Long-term debt - noncurrent	1,445,202	1,892,209	88,112	130,795	1,533,314	2,023,004
Net Pension Liability	4,272,281	3,924,081	6,686,014	5,601,294	10,958,295	9,525,375
Total liabilities	6,645,672	7,091,195	7,790,764	7,339,773	14,436,436	14,430,968
Deferred inflows of resources	855,429	752,362	1,084,683	763,608	1,940,112	1,515,970
<b>Net position:</b>						
Net Investment in capital assets	26,571,841	27,344,369	38,617,239	36,342,147	65,189,080	63,686,516
Restricted	13,800	-	51,200	65,000	65,000	65,000
Unrestricted	7,940,288	4,073,347	12,129,844	12,598,329	20,070,132	16,671,676
Total net position	\$ 34,525,929	\$ 31,417,716	\$ 50,798,283	\$ 49,005,476	\$ 85,324,212	\$ 80,423,192

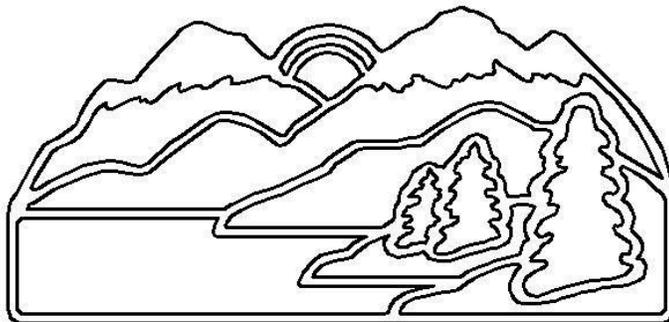
At the end of FY 2017, TCPUD reported positive net positions in all of its governmental and business-type activities. At year-end of the fiscal year 76.0% of TCPUD's business activities' net position was invested in capital assets while for government activities this category amounted to 77.0%. The following 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 2017 information.

TCPUD's overall current net position increased by \$4,901,020, however less than the previous year by \$2,568,969 (\$4,901,020 - \$7,469,989) or 34.4 %. This is largely due to declining grant revenue and increased operational cost for golf operations. The reasons for this overall decrease are discussed in the sections for governmental activities and business-type activities.



## Management Discussion and Analysis, continued

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Program Revenues:</b>						
Parks charges for services	\$ 733,871	\$ 349,343			\$ 733,871	\$ 349,343
Rec. charges for services	275,719	295,913			275,719	295,913
Water revenue			4,982,871	4,513,097	4,982,871	4,513,097
Sewer revenue			4,680,507	4,418,035	4,680,507	4,418,035
Operating grants and contributions	374,748	394,768	191,742	-	566,490	394,768
Capital grants and contributions	134,616	2,585,198	161,868	211,035	296,484	2,796,233
<b>Total program revenues</b>	<b>1,518,954</b>	<b>3,625,222</b>	<b>10,016,988</b>	<b>9,142,167</b>	<b>11,535,942</b>	<b>12,767,389</b>
<b>Expenses:</b>						
Parks - direct expenses	4,815,967	3,957,048			4,815,967	3,957,048
Recreation - direct expense	731,763	735,527			731,763	735,527
Water - direct expense			4,667,549	3,918,289	4,667,549	3,918,289
Sewer-direct expense			3,703,846	3,470,484	3,703,846	3,470,484
Interest on long-term debt	57,795	81,706			57,795	81,706
Indirect expenses	75,401	93,751	792	50,439	76,193	144,190
<b>Total expenses</b>	<b>5,680,926</b>	<b>4,868,032</b>	<b>8,372,187</b>	<b>7,439,212</b>	<b>14,053,113</b>	<b>12,307,244</b>
<b>Net revenue (expense)</b>	<b>(4,161,972)</b>	<b>(1,242,810)</b>	<b>1,644,801</b>	<b>1,702,955</b>	<b>(2,517,171)</b>	<b>460,145</b>
<b>General Revenues:</b>						
Property taxes	7,036,697	6,717,678	23,929	23,290	7,060,626	6,740,968
Investment earnings	123,975	120,327	233,590	148,549	357,565	268,876
Increase (decrease) in net position before transfers	7,160,672	6,838,005	257,519	171,839	7,418,191	7,009,844
Transfers	-	(5,508,259)	-	5,508,259	-	-
<b>Total general revenues</b>	<b>7,160,672</b>	<b>1,329,746</b>	<b>257,519</b>	<b>5,680,098</b>	<b>7,418,191</b>	<b>7,009,844</b>
Change in net position	2,998,700	86,936	1,902,320	7,383,053	4,901,020	7,469,989
Net Position	31,417,716	31,330,780	49,005,476	41,622,423	80,423,192	72,953,203
Prior period restatement	109,513	-	(109,513)	-	-	-
Net Position - Beginning	31,527,229	31,330,780	48,895,963	41,622,423	80,423,192	72,953,203
Net Position - Ending	<b>\$34,525,929</b>	<b>\$31,417,716</b>	<b>\$50,798,283</b>	<b>\$49,005,476</b>	<b>\$85,324,212</b>	<b>\$80,423,192</b>

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

During the current fiscal year, net position for governmental activities increased \$3,108,213 from the prior fiscal year for an ending balance of \$34,525,929. The increase is primarily a result of increased property tax from last year off set by increasing parks cost for golf operations and pension expense.

**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 charged to cover all or most of the costs of operation, including depreciation. The TCPUD

## Management Discussion and Analysis, continued

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 2017, no general property tax transfers occurred.

For the TCPUD's business-type activities, net position increased by \$1,902,302 from the prior year for an ending balance of \$50,798,283. The increase in net position is a result of water and sewer rate increases to cover operations and capital, declining capital grant revenue and impacts of pension expense.

For the year, total net position increased by \$4,901,020.

	Changes in Net Position		
	Governmental Activities	Business-type Activities	Total
Net position - Beginning as previously reported	\$ 31,417,716	\$ 49,005,476	\$ 80,423,192
Prior period restatement (Note 16)	109,513	(109,513)	-
Beginning net position restated	31,527,229	48,895,963	80,423,192
Add change in net position	2,998,700	1,902,320	4,901,020
Net position - Ending	\$ 34,525,929	\$ 50,798,283	\$ 85,324,212

### 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, 2017, the TCPUD's governmental funds reported combined fund balances of \$11,708,804, an increase of \$3,534,422 or 43.2 % in comparison with the prior year. This increase is the result of increased property tax from previous year and reduced capital expenditures. Approximately 79.4% 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*, *restricted*, *committed*, or *assigned* to indicate that it is: 1) not in spendable form \$172,113 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:

## Management Discussion and Analysis, continued

	Budget	Actual Amounts	Variance to Budget Positive (Negative)
Revenues:			
Fees	\$ 635,924	\$ 537,394	\$ (98,530)
Property taxes	5,355,572	6,314,225	958,653
Interest	46,644	123,975	77,331
Grants	2,122,762	509,364	(1,613,398)
Other	408,603	472,608	64,005
Total revenues	\$8,569,505	\$ 7,957,566	\$ (611,939)

The Parks and Recreation total revenue was under budget by \$600,688 as shown above. Property tax collection exceeded budget by \$958,653 attributable to a conservative budget, rising assessed values and Proposition 8 catch-ups. Grant revenue was negative to budget by \$1,613,398 which bears a direct relation to reimbursable for capital expenditures. Other revenue positive variance of \$75,254 is attributable to kayak rental better to budget.

	Amended Budget	Actual Amounts	Variance to Budget Positive (Negative)
Expenditures			
Current:			
Public works - Parks	\$3,293,667	\$2,938,775	\$ 357,267
Recreation	861,268	654,036	207,232
Other operating	116,604	86,651	29,953
Capital outlay	2,791,588	754,939	2,036,649
Total expenditures	\$7,063,127	\$4,434,401	\$2,631,101

Overall, Parks and Recreation direct expenses were \$2,631,101 positive to budget due to fewer capital projects started during the year and operational expenses and administrative overhead cost down to budget. The 2017 budget was amended for a new position in the recreation department.

### Capital Assets and Debt Administration

**Capital Assets.** The TCPUD investment in capital assets for its governmental and business-type activities as of December 31, 2017 amounts to \$66,801,545 (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 1.8 %.

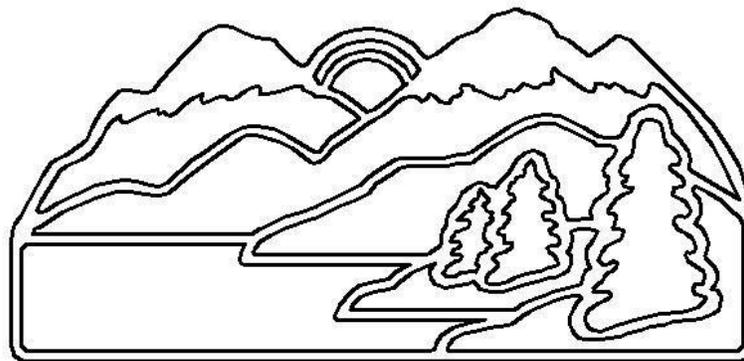
## Management Discussion and Analysis, continued

	Governmental		Business-type		Total	
	Activities		Activities			
	2017	2016	2017	2016	2017	2016
Land	\$ 5,401,592	\$ 5,251,592	\$ -	\$ -	\$ 5,401,592	\$ 5,251,592
Intangible License	-	150,000	-	-	-	150,000
Facilities	19,081,227	20,031,024	29,279,897	29,645,829	48,361,124	49,676,853
Office building and equipment	2,892,065	2,799,748	2,952,741	3,112,076	5,844,806	5,911,824
Vehicles	173,880	186,030	1,302,053	878,678	1,475,933	1,064,708
Construction in progress	430,808	699,362	5,287,282	2,878,242	5,718,090	3,577,604
Total capital assets, net	<u>\$ 27,979,572</u>	<u>\$ 29,117,756</u>	<u>\$ 38,821,973</u>	<u>\$ 36,514,825</u>	<u>\$ 66,801,545</u>	<u>\$ 65,632,581</u>

During 2017, the TCPUD spent \$3,765,105 on capital items for the benefit of the community. Some of the significant water and sewer projects were Tahoe City Residential Sewer System Rehabilitation, Tahoe City Well Bunker Replacement and a vector.

Some of the significant projects for parks and recreation were Winter Sports Park Ice Rink, Tahoe City Golf Improvements and equipment.

Additional information on capital assets can be found in the notes to the financial statements (see note 4. Capital Assets).



## Management Discussion and Analysis, continued

The following table presents the TCPUD's more significant capital additions during 2016 and 2017:

	Additions to Capital Assets	
	2016	2017
Governmental Activities		
Homewood Bike Trail	\$ 1,601,166	\$ -
Picnic Table Replacements	14,691	-
Lakeside Trail Interpretive Panels	3,453	-
Tahoe City Golf Improvements	54,254	61,570
Truckee River Trail Stabilization and Restoration	373,722	83,645
Truckee River Bike Trail Overlay	48,178	58,397
Skylandia House Remodel	17,368	-
Connors Field Lighting Replacement	21,119	30,771
TCGC Ice Rink	897,693	89,122
Vehicles and Equipment	107,317	365,519
Other projects	91,890	65,915
Total governmental activities	3,230,849	754,939
Business-type Activities		
Bunker Water Tank Replacement	201,085	451,864
Dollar/Edgewater Sewer Line Replacement	27,217	887
John Cain Sewer Replacement	-	14,347
Lake Forest water acquisition & improvements	20,845	-
Madden Creek Water Interconnection	-	49,914
Manzanita Water Line Replacement	-	280,124
Mid-Sierra Water Co. Acquisition	-	116,537
Pump Upgrades	115,628	61,874
Quail & Rocky Ridge Tank Recoating	18,542	-
Rubicon Service Line Replacements	386,699	3,514
Rubicon Tank No. 1 Interior Coating	152,857	1,702
Rubicon Tank No. 2 & 3 Interior Coating	-	336,036
Tahoe Cedars Water Interconnection	-	33,758
Tahoe City Main Emergency Water Supply	330	292
Tahoe City Residential Sewer System Rehabilitation	80,397	1,516,394
Tahoe City Well No. 1 (Bunker) Replacement	175,134	(8,435)
Tahoe City Well No. 2 & 3 Easement	-	19,216
Tahoe Park Water System Interconnection	52,370	-
Timberland Water Co Acquisition	-	36,524
Vehicles, mobile equipment, equipment	531,082	653,384
West Lake Tahoe Regional Water Treatment Plant	456,375	80,764
West Shore Export Crossing Repair	4,737	12,267
Other projects	152,890	137,435
Total business-type activities	2,376,189	3,798,395
Total TCPUD	\$ 5,607,038	\$ 4,553,335

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

## Management Discussion and Analysis, continued

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, work continues on the West Lake Tahoe Regional Water Treatment Plant. Breaking ground on this project will be determined mid-2018. TCPUD staff is hopeful to secure 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, 2017 the TCPUD utilized \$47,837,007 of gross depreciable capital assets at historical cost, consisting primarily of recreational facilities, in its Governmental Activities, and \$78,562,334 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 consumption data to analyze. With this information, assumptions were made regarding characteristics and typical use of each customer and the customer classes in total. A key driver in

## Management Discussion and Analysis, continued

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 \$74.50 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 five year capital plan for 2018-2022 is \$58,610,164 of which \$5,564,378 in capital grants are identified. The capital plan calls for \$33,928,466 for water, \$9,546,554 for sewer, \$9,911,144 for Parks and Recreation, and \$5,224,000 for Governance and Administrative Services. The vehicle five year plan of \$1,470,000 is included in the above numbers for water, sewer and parks and recreation. The 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 \$1,892,209. Of this amount, \$1,382,705 is debt backed by the full faith and credit of the government and \$25,026 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 \$484,478. Additional information on long-term debt can be found in the notes to the financial statements (see note 6. Long-term Debt).

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
General obligation bonds	\$1,382,705	\$1,735,848	\$ -	\$ -	\$1,382,705	\$1,735,848
Special assessment bonds with governmental commitments	25,026	37,539	\$130,794	\$172,678	155,820	210,217
Pension related debt	484,478	791,571	-	-	484,478	791,571
Total long-term debt	<u>\$1,892,209</u>	<u>\$2,564,958</u>	<u>\$130,794</u>	<u>\$172,678</u>	<u>\$2,023,003</u>	<u>\$2,737,636</u>

## Management Discussion and Analysis, continued

On January 2, 2018, TCPUD purchased three water companies. In all cases significant capital upgrades will be required to bring these water systems into compliance with TCPUD standards. During 2018, TCPUD will make decisions on how to finance the capital upgrades for these water systems.

Customers or owners of several private water companies seeking acquisition continue to approach TCPUD to purchase their water systems for a variety of reasons. It is often difficult for these systems to obtain financing for upgrades due to their small size. TCPUD will use its borrowing capacity over the next decade to finance upgrades to water systems it acquires and be repaid by either special assessments from these new water customers or property tax and continue to 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 \$10,958,295 to the Government Wide Statement of Net Position.

The TCPUD has negotiated for employees to participate 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.

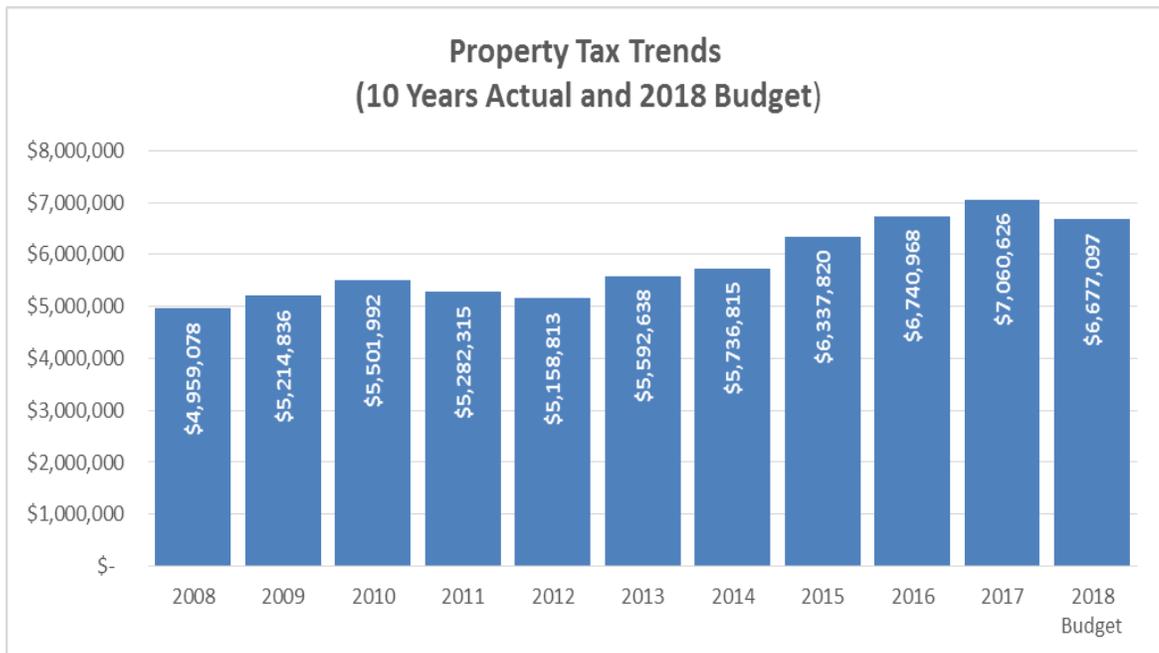
### **Economic Factors and Next Year's Budgets and Rates**

The following economic factors currently affect TCPUD and were considered in developing the 2018 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 34.2% or \$6,677,097 of the 2018 Budget. This revenue source continues to grow annually due to growth in 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 much like what we saw in 2008, property tax will also decline since property tax is based on assessed values. However, when property values recover, property tax collections are higher due to triggering Proposition 8 catch-up provisions. The following Property Tax Trends bar graph show the last 10 years of actual property tax collection and the 2018 budget. The rise in the 2015

## Management Discussion and Analysis, continued

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 levels. The last ten years of actual property tax collected has seen an average increase of 4.6%. The 2018 budget reflects a conservative budget.



- Water and sewer base rate revenues are a stable source of income and combined makes up 51.5% 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 on 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 most severe droughts on record and early in 2017, Governor Brown ended the drought State of Emergency in most of California, while maintaining water reporting requirements and prohibitions on wasteful practices. Lessons learned from the drought, TCPUD's budget reflects the new normal of reduced consumption revenue. Consumption revenue represents 28.5% of TCPUD's water and 5.1% of all revenue excluding capital grants.
- The State of California 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.

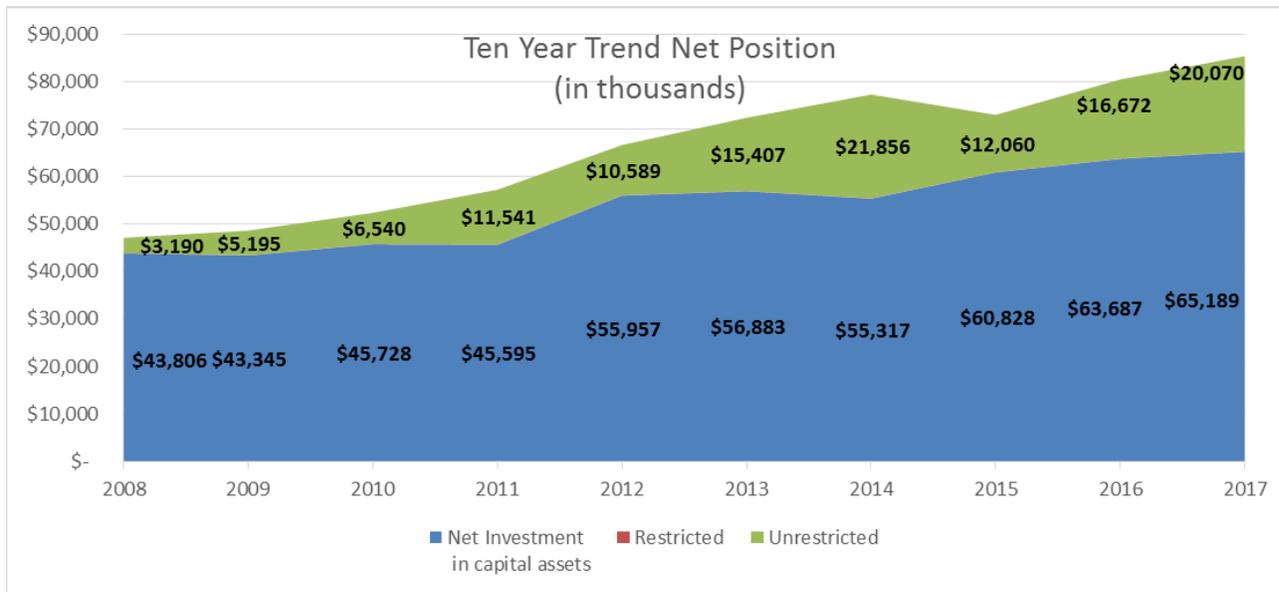
## Management Discussion and Analysis, continued

- Personnel cost make up 67.3% of TCPUD's operating budget, excluding depreciation, 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 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 2018, TCPUD will be examining and considering a sustainable funding policy to address this rising cost.
- Workforce housing challenges is gaining visibility at a regional level in the North Tahoe, Truckee, and the surrounding areas and TCPUD will remain engaged in the process. Led 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 the General Manager and assigned a Board Member to participate at the Council and subcommittee levels.
- The TCPUD's 2018 budget was adopted by the Board of Directors on November 17, 2017 by Resolution 17-35.
- The 2018 TCPUD budgeted revenues, excluding property tax, are increasing 14.9% or \$1,627,272 over the 2017 budget.
  - Water revenue is up \$1,143,880 or 23.7% due to budgeting for new water base rates for the new water customers joining TCPUD on January 2, 2018 and measured water rate increases for existing customers.
  - Sewer revenue is up \$318,444 or 6.9% as a result of Board approved rate increases.
  - Parks, Recreation and Golf revenues are up slightly, \$111,622 or 0.9%
- Property tax revenue budget on budget is increasing \$575,819 or 9.4%.
- The adopted TCPUD 2018 budget operating expense (excluding depreciation) totals \$12,666,374, which represents a 10.6% or \$1,213,874 increase over the 2017 amended operating budget.
  - Personnel cost coupled with new positions for water, parks and recreation represents 59.7% of the annual budget on budget increase.
- The 2018 Capital Plan of \$18,442,430 is 4.6% up to the 2017 Capital Plan largely due preparing for interconnection capital projects for the newly acquired water systems.

### Summary

## Management Discussion and Analysis, continued

The TCPUD's overall financial health and flexibility have continued to improve over the last ten years in spite of the 2015 fiscal year which saw a decline in unrestricted-net position due to the implementation of GASB 68. Currently, 2017 fiscal year shows net position increasing year on year.



Net investment in capital assets increased \$1,502,564 or 2.4% due to paying down related debt and continuing to invest in infrastructure, vehicles and equipment in the amount of \$4,520,045 during 2017.

### Requests for Information

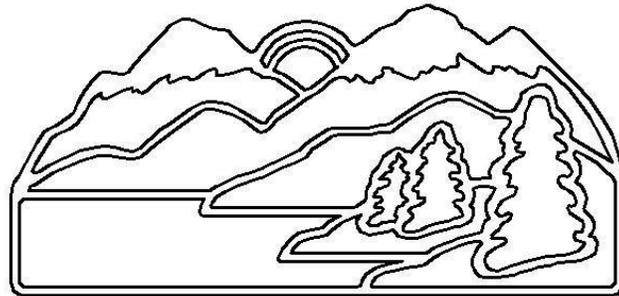
The TCPUD's financial statements are designed to present users (citizens, taxpayers, customers, vendors and creditors) with a general overview of the TCPUD's finances and to demonstrate financial accountability. If you have questions about this report or need additional financial information, please 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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# Basic Financial Statements

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# Government-Wide Financial Statements

- Statement of Net Position
- Statement of Activities

Tahoe City Public Utility District  
Statement of Net Position  
December 31, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 8,127,210	\$ 16,350,594	\$ 24,477,804
Restricted cash and investments	11,493	-	11,493
Receivables:			
Accounts	-	535,391	535,391
Interest	-	1,578	1,578
Taxes	3,684,164	-	3,684,164
Grants	389,567	165,049	554,616
Other	121,592	17,116	138,708
Allowance for Doubtful Accounts	(4,198)	(8,628)	(12,826)
Short-term internal balances	(13,520)	13,520	-
Inventories	47,612	296,122	343,734
Prepaid items and other assets	124,501	310,376	434,877
Total current assets	<u>12,488,421</u>	<u>17,681,118</u>	<u>30,169,539</u>
Noncurrent assets:			
Restricted cash and investments	13,800	51,277	65,077
Facility improvement receivables	-	12,047	12,047
Other postemployment benefits, net	78,597	244,226	322,823
Capital assets:			
Non-depreciable	5,832,400	5,287,282	11,119,682
Depreciable, net	22,147,172	33,534,691	55,681,863
Total capital assets, net	<u>27,979,572</u>	<u>38,821,973</u>	<u>66,801,545</u>
Total noncurrent assets	<u>28,071,969</u>	<u>39,129,523</u>	<u>67,201,492</u>
<b>Total assets</b>	<u>40,560,390</u>	<u>56,810,641</u>	<u>97,371,031</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Changes in the net pension liability	<u>1,466,640</u>	<u>2,863,089</u>	<u>4,329,729</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	73,568	233,899	307,467
Accrued payroll and benefits payable	28,370	98,742	127,112
Employee medical reimbursement payable	51,419	-	51,419
Interest payable	7,286	-	7,286
Deposits payable	27,860	225,538	253,398
Other liabilities	89,838	146,588	236,426
Unearned revenue	31,744	97,932	129,676
Compensated absences-due within one year	171,097	171,257	342,354
Long-term debt-due within one year	447,007	42,682	489,689
Total current liabilities	<u>928,189</u>	<u>1,016,638</u>	<u>1,944,827</u>
Noncurrent liabilities:			
Long-term liabilities-due in more than one year	1,445,202	88,112	1,533,314
Net pension liability	4,272,281	6,686,014	10,958,295
<b>Total liabilities</b>	<u>6,645,672</u>	<u>7,790,764</u>	<u>14,436,436</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Changes in the net pension liability	<u>855,429</u>	<u>1,084,683</u>	<u>1,940,112</u>
<b>NET POSITION</b>			
Net Investment in capital assets	<u>26,571,841</u>	<u>38,617,239</u>	<u>65,189,080</u>
Restricted for:			
Guarantee permit and payment performance	13,800	51,200	65,000
Total restricted	<u>13,800</u>	<u>51,200</u>	<u>65,000</u>
Unrestricted	<u>7,940,288</u>	<u>12,129,844</u>	<u>20,070,132</u>
<b>Total net position</b>	<u>\$ 34,525,929</u>	<u>\$ 50,798,283</u>	<u>\$ 85,324,212</u>

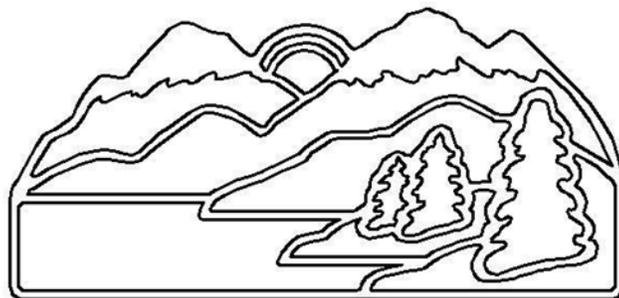
The notes to the financial statements are an integral part of this statement.

**Tahoe City Public Utility District**  
**Statement of Activities and Changes in Net Position**  
**For the year ended December 31, 2017**

Functions / Programs	Direct Expenses	Indirect Expenses	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total	Governmental Activities	Business-Type Activities	Total
<b>Primary Government:</b>									
<b>Governmental activities:</b>									
Public works - Parks	\$ 4,815,966	\$ 69,761	\$ 733,871	\$ 349,577	\$ 134,616	\$ 1,218,064	\$ (3,667,663)	\$ -	\$ (3,667,663)
Recreation	731,764	5,640	275,719	25,171	-	300,890	(436,514)	-	(436,514)
Interest on long-term debt (unallocated)	57,795	-	-	-	-	-	(57,795)	-	(57,795)
Total governmental activities	5,605,525	75,401	1,009,590	374,748	134,616	1,518,954	(4,161,972)	-	(4,161,972)
<b>Business-type activities:</b>									
Water	4,667,549	396	4,982,871	78,519	161,868	5,223,258	-	555,313	555,313
Sewer	3,703,846	396	4,680,507	113,223	-	4,793,730	-	1,089,488	1,089,488
Total business-type activities	8,371,395	792	9,663,378	191,742	161,868	10,016,988	-	1,644,801	1,644,801
<b>Total primary government</b>	<b>\$ 13,976,920</b>	<b>\$ 76,193</b>	<b>\$ 10,672,968</b>	<b>\$ 566,490</b>	<b>\$ 296,484</b>	<b>\$ 11,535,942</b>	<b>(4,161,972)</b>	<b>1,644,801</b>	<b>(2,517,171)</b>
<b>General Revenues:</b>									
Property taxes							7,036,697	23,929	7,060,626
Investment earnings							123,975	233,590	357,565
<b>Transfers</b>							-	-	-
<b>Total general revenues and transfers</b>							<b>7,160,672</b>	<b>257,519</b>	<b>7,418,191</b>
<b>Change in net position</b>							<b>2,998,700</b>	<b>1,902,320</b>	<b>4,901,020</b>
<b>Net Position - Beginning</b>							<b>31,417,716</b>	<b>49,005,476</b>	<b>80,423,192</b>
<b>Prior period restatement</b>							<b>109,513</b>	<b>(109,513)</b>	<b>-</b>
<b>Adjusted beginning balance</b>							<b>31,527,229</b>	<b>48,895,963</b>	<b>80,423,192</b>
<b>Net position - Ending</b>							<b>\$ 34,525,929</b>	<b>\$ 50,798,283</b>	<b>\$ 85,324,212</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 of Governmental Funds
  - Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance 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, 2017

	General	Debt Service	Total Governmental Funds
<b>ASSETS</b>			
Cash	\$ 8,127,210	\$ -	\$ 8,127,210
Restricted cash	25,293	-	25,293
Receivables:			
Accounts		-	-
Taxes	3,684,164	-	3,684,164
Grants	389,567	-	389,567
Other	108,724	12,868	121,592
Allowance for Doubtful Accounts	(4,198)	-	(4,198)
Inventory	47,612	-	47,612
Prepaid items and other assets	124,501	-	124,501
<b>Total assets</b>	<b>\$ 12,502,873</b>	<b>\$ 12,868</b>	<b>\$ 12,515,741</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 73,568	\$ -	\$ 73,568
Accrued payroll and benefits payable	28,370	-	28,370
Employee medical reimbursement payable	51,419	-	51,419
Deposits payable	27,860	-	27,860
Other liabilities	89,838	-	89,838
Short-term internal balances	493,796	10,342	504,138
Unearned revenue	29,570	2,174	31,744
<b>Total liabilities</b>	<b>794,421</b>	<b>12,516</b>	<b>806,937</b>
<b>Fund Balances:</b>			
Non-Spendable	172,113	-	172,113
Restricted			
Special assessment debt	-	352	352
Assigned			
Long-term equipment and capital replacement	1,164,629	-	1,164,629
Unassigned fund balance			
General Fund	10,371,710	-	10,371,710
<b>Total fund balances</b>	<b>11,708,452</b>	<b>352</b>	<b>11,708,804</b>
<b>Total liabilities and fund balances</b>	<b>\$ 12,502,873</b>	<b>\$ 12,868</b>	<b>\$ 12,515,741</b>

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

Tahoe City Public Utility District  
 Reconciliation of the Balance Sheet of Governmental Funds  
 to the Statement of Net Position of Governmental Activities  
 For the year ended December 31, 2017

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**Total Fund Balances - Governmental Funds** \$ 11,708,804

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

Noncurrent assets used in governmental activities were not current financial resources. Therefore, they were not reported in the Governmental Funds Balance Sheet. Noncurrent assets were adjusted as follows: 78,597

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	5,832,400
Depreciable, net	22,147,172
	<u>27,979,572</u>

Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported as a liability in the Governmental Funds Balance Sheet. (7,286)

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 490,618

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	(171,097)
Long-term debt - due within one year	(447,007)
Long-term debt - due in more than one year	(1,445,202)
	<u>(2,063,306)</u>

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

Net pension liability	(4,272,281)
Deferred outflows, related to pension expense	1,466,640
Deferred inflows, related to pension expense	(855,429)
	<u>(3,661,070)</u>

**Total Net Position of Governmental Activities** \$ 34,525,929

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  
For the year ended December 31, 2017

	General	Debt Service	Total Governmental Funds
<b>REVENUES:</b>			
Fees	\$ 537,394	\$ -	\$ 537,394
Property taxes	6,314,225	722,472	7,036,697
Interest	123,975	-	123,975
Grants	509,364	-	509,364
Other	472,608	13,426	486,034
<b>Total revenues</b>	<b>7,957,566</b>	<b>735,898</b>	<b>8,693,464</b>
<b>EXPENDITURES:</b>			
Current:			
Public works - Parks	2,938,775	-	2,938,775
Recreation	654,036	-	654,036
Other operating	86,651	-	86,651
Capital outlay	754,939	-	754,939
Debt service:			
Principal	-	672,749	672,749
Interest	-	63,143	63,143
<b>Total expenditures</b>	<b>4,434,401</b>	<b>735,892</b>	<b>5,170,293</b>
<b>REVENUES OVER EXPENDITURES</b>	<b>3,523,165</b>	<b>6</b>	<b>3,523,171</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Proceeds from the sale of assets	11,250	-	11,250
<b>Total other financing sources (uses)</b>	<b>11,250</b>	<b>-</b>	<b>11,250</b>
<b>Net change in fund balances</b>	<b>3,534,415</b>	<b>6</b>	<b>3,534,421</b>
<b>FUND BALANCES:</b>			
Beginning of year	8,174,037	346	8,174,383
End of year	<u>\$ 11,708,452</u>	<u>\$ 352</u>	<u>\$ 11,708,804</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  
 For the year ended December 31, 2017

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**Net Change in Fund Balances - Governmental Funds** \$ 3,534,421

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

Payments in excess of the annual required contribution were an expenditure in governmental funds, but increase the OPEB asset in the Government-Wide Statement of Net Position. 2,375

Governmental funds reported capital outlay as expenditures. However, in the Government-Wide Statement of Activities, 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. 754,939

Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities, but they did not require the use of current financial resources. Therefore, depreciation expense was not reported as expenditures in the Governmental Funds. (1,926,414)

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. 73,981

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. 672,749

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 7,126

Change in accrued interest 5,348

Increase of pension expense based on GASB 68 adjustments (125,825)

**Change in Net Position of Governmental Activities** \$ 2,998,700

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, 2017

	<u>Water and Sewer Fund</u>
<b>ASSETS</b>	
Current assets:	
Cash and investments	\$ 16,350,594
Receivables:	
Accounts	535,391
Grants	165,049
Interest	1,578
Other	17,116
Allowance for Doubtful Accounts	(8,628)
Short-term internal balances	504,138
Inventories	296,122
Prepaid items and other assets	310,376
	<u>18,171,736</u>
Noncurrent assets:	
Restricted cash and investments	51,277
Facility improvement receivables	12,047
Other postemployment benefits, net	244,226
Capital assets:	
Non-depreciable assets	5,287,282
Depreciable assets, net	33,534,691
Total capital assets, net	<u>38,821,973</u>
Total noncurrent assets	<u>39,129,523</u>
<b>Total assets</b>	<u>57,301,259</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Changes in the net pension liability	<u>2,863,089</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	233,899
Accrued payroll and benefits payable	98,742
Deposits payable	225,538
Other liabilities	146,588
Unearned revenue	97,932
Compensated absences	171,257
Long-term debt - due within one year	42,682
Total current liabilities	<u>1,016,638</u>
Noncurrent liabilities:	
Net Pension Liability	6,686,014
Long-term debt - due in more than one year	88,112
Total noncurrent liabilities	<u>6,774,126</u>
<b>Total liabilities</b>	<u>7,790,764</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Changes in the net pension liability	<u>1,084,683</u>
<b>NET POSITION</b>	
Net Investment in capital assets	38,617,239
Restricted for:	
Guarantees of permit performance	51,200
Unrestricted	12,620,462
<b>Total net position</b>	<u>51,288,901</u>
Elimination of water services charged to the governmental funds	490,618
<b>Net position of business-type activities</b>	<u>\$ 50,798,283</u>

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

Tahoe City Public Utility District  
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund  
For the year ended December 31, 2017

	Water and Sewer Fund
<b>OPERATING REVENUES:</b>	
Service and inspection fees	\$ 9,409,695
Connection fees	35,924
Penalties and discounts	66,504
Grant revenue	191,742
Other	124,589
<b>Total operating revenues</b>	<u>9,828,454</u>
<b>OPERATING EXPENSES:</b>	
Personnel	3,836,241
Operations	3,121,625
Depreciation	1,385,288
<b>Total operating expenses</b>	<u>8,343,154</u>
<b>OPERATING INCOME</b>	<u>1,485,300</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>	
Property taxes	23,929
Interest income	233,590
Gain on disposal	75,331
Interest expense	(3,717)
<b>Total nonoperating revenues (expenses)</b>	<u>329,133</u>
<b>INCOME BEFORE CAPITAL CONTRIBUTIONS</b>	1,814,433
Capital contributions	161,868
<b>Change in net position</b>	<u>1,976,301</u>
<b>NET POSITION:</b>	
Net Position - Beginning as previously reported	49,422,113
Prior Period Restatement	(109,513)
Beginning of year	<u>49,312,600</u>
End of year	<u>\$ 51,288,901</u>
<b>RECONCILIATION OF CHANGE IN NET POSITION:</b>	
Change in net position for proprietary fund	\$ 1,976,301
Elimination of water services charged to the governmental funds	<u>73,981</u>
<b>Change in net position for business-type activities</b>	<u>\$ 1,902,320</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  
For the year ended December 31, 2017

	Water and Sewer Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Receipts from customers	\$ 9,463,611
Payments to suppliers	(3,748,035)
Payments to employees	(3,526,509)
Internal activity - net payments to other funds	(1,497)
Other receipts	237,009
<b>Net cash provided by operating activities</b>	<b>2,424,579</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
Property taxes received	23,929
<b>Net cash provided by noncapital financing activities</b>	<b>23,929</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Acquisition of capital assets	(3,765,105)
Proceeds from sales of capital assets	148,000
Grants received	161,868
Principal payments on long-term debt	(41,884)
Interest paid on long-term debt	(3,717)
<b>Net cash used by capital and related financing activities</b>	<b>(3,500,838)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Interest received	233,026
<b>Net cash provided by investing activities</b>	<b>233,026</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(819,304)</b>
<b>CASH AND CASH EQUIVALENTS</b>	
Beginning of year	17,221,175
End of year	<u>\$ 16,401,871</u>
<b>CASH AND CASH EQUIVALENTS</b>	
Cash and cash equivalents	\$ 16,350,594
Restricted cash and cash equivalents	51,277
<b>Total cash and cash equivalents</b>	<b>\$ 16,401,871</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>	
Operating income	\$ 1,485,300
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,385,288
Changes in assets and liabilities:	
(Increase) Decrease in:	
Accounts receivable	(173,750)
Grants receivable	19,777
Other receivable	2,642
Allowance for doubtful accounts	(517)
Facilities improvement receivables	(3,018)
Due from/to other funds	(1,497)
Inventories	(12,023)
Prepaid items and other assets	(34,474)
Other post employment benefits	66,237
Net Change in deferred outflows and inflows	(692,748)
Increase (Decrease) in:	
Accounts payable	(614,387)
Accrued payroll and benefits	(36,320)
Deposits payable	2,554
Net change in other liabilities	58,952
Net pension liability and other liabilities	1,084,720
Compensated absences	(2,644)
Prior Period Restatement	(109,513)
<b>Net cash provided by operating activities</b>	<b>\$ 2,424,579</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, 2017**

**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, 2017.

**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.

**Tahoe City Public Utility District  
Notes to the Basic Financial Statements  
For the year ended December 31, 2017**

**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).

**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, 2017**

**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, 2017**

**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, 2017**

**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 and Prepaid Items**

Inventories are valued at cost using the first-in /first-out (FIFO) method and consist of 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.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

**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.

**Tahoe City Public Utility District**  
**Notes to the Basic Financial Statements**  
**For the year ended December 31, 2017**

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

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:

**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

**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, 2017, 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 net 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. In addition to liabilities, the statement of net 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.

**Tahoe City Public Utility District  
Notes to the Basic Financial Statements  
For the year ended December 31, 2017**

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

***J. Long-Term Liabilities***

Government-Wide and Proprietary Fund Financial Statements - Long-term liabilities 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 liabilities but they are 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.

***Property Tax***

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

Secured property tax is due in two installments, on November 1 and February 1, and becomes a lien on those dates. It becomes delinquent on December 10 and April 10, respectively. Unsecured property tax is due on July 1, and becomes delinquent on August 31. The term "unsecured" refers to taxes on personal

property other than real estate, land and buildings. These taxes are secured by liens on the property being taxed. Property tax revenues are recognized by the District in the year they are assessed provided they become available as defined above.

***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

**Tahoe City Public Utility District  
Notes to the Basic Financial Statements  
For the year ended December 31, 2017**

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

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 "net investment in capital assets" or "restricted net position" as defined above.

**Fund Financial Statements**

Fund balance is defined as the difference between assets and liabilities.

The District's Board adopted Resolution 11-39 for the Classification of the Fund Balances as required by GASB No. 54 and adoption of the General Fund Reserve Policy.

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

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

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

**Assigned** fund balances will be amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted, nor committed. The intent can be made by either the 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.

**Tahoe City Public Utility District  
Notes to the Basic Financial Statements  
For the year ended December 31, 2017**

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

***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***

Government Accounting Standards Board Statement No. 77

In August of 2015, GASB issued Statement 77, *Tax Abatement Disclosures*. This Statement requires disclosure of tax abatement information regarding (i) a government's own tax abatement agreements; and (ii) those abatement agreements that are entered into by other governments that reduce the reporting of government's tax revenues. The District has not identified any tax abatement agreements requiring disclosure as of December 31, 2017. Application of this statement is effective for the District's fiscal year ending December 31, 2017.

Government Accounting Standards Board Statement No. 80

In January of 2016, GASB issued Statement 80, *Blending Requirements for Certain Component Units – an amendment to GASB Statement No. 14*. The objective of this Statement is to improve the financial reporting by clarifying the financial statement presentation requirements for certain component units. The District does not have any component units subject to this blending requirement. Application of this statement is effective for the District's fiscal year ending December 31, 2017.

***Q. Future Government Accounting Standard Board Statements***

These statements are not effective until December 31, 2018 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, 2018.

Government Accounting Standards Board Statement No. 83

In November 2016, GASB issued Statement No. 83 – *Certain Asset Retirement Obligations*. An Asset Retirement Obligation (ARO) is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement. The District has not determined what impact, if any, this pronouncement will have on the financial statements. The effective date of the statement is for reporting periods beginning after June 15, 2018. Application of this statement is effective for the District's fiscal year ending December 31, 2019.

**Tahoe City Public Utility District**  
**Notes to the Basic Financial Statements**  
**For the year ended December 31, 2017**

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

Government Accounting Standards Board Statement No. 84

In January of 2017, GASB issued Statement 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The District has not determined what impact, if any, this pronouncement will have on the financial statements. Application of this statement is effective for the District's fiscal year ending December 31, 2020.

Government Accounting Standards Board Statement No. 85

In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. The objective of this statement is to address practice issues that have been identified during implementation and application of certain GASB statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). The District has not determined what impact, if any, this pronouncement will have on the financial statements. Application of this statement is effective for the District's fiscal year ending December 31, 2018.

Government Accounting Standards Board Statement No. 86

In May of 2017, GASB issued Statement 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The District has not determined what impact, if any, this pronouncement will have on the financial statements. Application of this statement is effective for the District's fiscal year ending December 31, 2018.

Government Accounting Standards Board Statement No. 87

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The District has not determined what impact, if any, this pronouncement will have on the financial statements. Application of this statement is effective for the District's fiscal year ending December, 2021.

**Tahoe City Public Utility District  
Notes to the Basic Financial Statements  
For the year ended December 31, 2017**

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

Government Accounting Standards Board Statement No. 88

In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related To Debt, Including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. Application of this statement is effective for reporting periods beginning after June 15, 2018.

**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 \$5,402,117 at December 31, 2017. Bank balances were \$6,125,615 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

**Tahoe City Public Utility District**  
**Notes to the Basic Financial Statements**  
**For the year ended December 31, 2017**

**2. CASH AND INVESTMENTS, Continued**

District's name and places the District ahead of general creditors of the institution. The District has waived collateral requirements for the portion of deposits covered by federal deposit insurance.

**B. Investments**

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

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

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

The District's investments with LAIF at December 31, 2017, 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, 2017, the District had \$255,524 invested with LAIF and \$18,818,949 invested with the Placer County Treasurer. LAIF had invested 2.32% 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 0.998093529 to total investments held by both. At December 31, 2017, the LAIF and Placer County Treasurer balance did not reflect an amortized cost of \$19,038 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, 2017**

**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, 2017.

	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, 2017:

	Government-Wide Statement of Net Assets		
	Governmental Activities	Business-Type Activities	Total
Operating cash deposits	\$ -	\$ 5,402,117	\$ 5,402,117
Imprest and other	914	300	1,214
Investments	8,126,296	10,948,177	19,074,473
Total cash and investments	8,127,210	16,350,594	24,477,804
Current - Restricted cash and investments	11,493	-	11,493
Noncurrent-Restricted cash and investments	13,800	51,277	65,077
Total All	\$ 8,152,503	\$ 16,401,871	\$ 24,554,374

**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, 2017, 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, 2017, 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, 2017**

**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 \$76,570. 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 \$11,493, 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, 2017 were as follows:

		Due to other funds		
		<u>General Fund</u>	<u>Debt Service</u>	<u>Total</u>
Due from other funds	Water and Sewer	\$ 493,796	\$ -	\$ 493,796
	Water and Sewer	-	10,342	10,342
		<u>\$ 493,796</u>	<u>\$ 10,342</u>	<u>\$ 504,138</u>

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

**B. Transfers In and Out**

Transfers out to the Water and Sewer Enterprise fund are primarily to provide funding for current year capital projects and designate additional reserves for future capital projects. In 2017 there were no transfers to the Water and Sewer Enterprise fund.

**Tahoe City Public Utility District  
Notes to the Basic Financial Statements  
For the year ended December 31, 2017**

**4. CAPITAL ASSETS**

**A. Government-Wide Financial Statements**

At December 31, 2017, the District's capital assets consisted of the following:

	Governmental Activities	Business-Type Activities	Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Non-depreciable assets:			
Land	\$ 5,401,592	\$ -	\$ 5,401,592
Construction in progress	430,808	5,287,282	5,718,090
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total non-depreciable assets	5,832,400	5,287,282	11,119,682
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Depreciable assets:			
Water and sewer plant	-	70,659,618	70,659,618
Recreational facilities	41,793,145	-	41,793,145
Office building and equipment	5,543,098	6,146,489	11,689,587
Vehicles	500,764	1,756,227	2,256,991
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total depreciable assets	47,837,007	78,562,334	126,399,341
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Less accumulated depreciation:			
Water and sewer plant	-	(41,379,721)	(41,379,721)
Recreational facilities	(22,711,918)	-	(22,711,918)
Office building and equipment	(2,651,033)	(3,193,748)	(5,844,781)
Vehicles	(326,884)	(454,174)	(781,058)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total accumulated depreciation	(25,689,835)	(45,027,643)	(70,717,478)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Net depreciable assets	22,147,172	33,534,691	55,681,863
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total capital assets, net</b>	<b>\$ 27,979,572</b>	<b>\$ 38,821,973</b>	<b>\$ 66,801,545</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>

**Tahoe City Public Utility District**  
**Notes to the Basic Financial Statements**  
**For the year ended December 31, 2017**

**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, 2017 (Restated Note 16)	Additions	Retirements	Transfers/ Reclassifications	Balance as of December 31, 2017
Land	\$ 5,251,592	\$ -	\$ -	\$ 150,000	\$ 5,401,592
Non-depreciable license	150,000	-	-	(150,000)	-
Construction in progress	699,362	382,117	-	(650,671)	430,808
<b>Total capital assets, not being depreciated</b>	<b>6,100,954</b>	<b>382,117</b>	<b>-</b>	<b>(650,671)</b>	<b>5,832,400</b>
Capital assets, being depreciated:					
Recreational facilities	41,135,170	94,068	-	563,907	41,793,145
Office building and equipment	5,220,905	250,687	(15,258)	86,764	5,543,098
Vehicles	492,875	28,067	(20,178)	-	500,764
<b>Total capital assets, being depreciated</b>	<b>46,848,950</b>	<b>372,822</b>	<b>(35,436)</b>	<b>650,671</b>	<b>47,837,007</b>
Less accumulated depreciation for:					
Recreational facilities	(21,113,456)	(1,598,462)	-	-	(22,711,918)
Office building and equipment	(2,368,597)	(297,694)	15,258	-	(2,651,033)
Vehicles	(316,804)	(30,258)	20,178	-	(326,884)
<b>Total accumulated depreciation</b>	<b>(23,798,857)</b>	<b>(1,926,414)</b>	<b>35,436</b>	<b>-</b>	<b>(25,689,835)</b>
<b>Net capital assets being depreciated</b>	<b>23,050,093</b>	<b>(1,553,592)</b>	<b>-</b>	<b>650,671</b>	<b>22,147,172</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 29,151,047</b>	<b>\$ (1,171,475)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 27,979,572</b>

Depreciation is up reflecting a continued investment in infrastructure projects. Depreciation expense for capital assets during the year ended December 31, 2017 was charged to the different activities as follows:

Public works - parks	\$ 1,863,779
Recreation	62,635
<b>Total</b>	<b>\$ 1,926,414</b>

**Tahoe City Public Utility District  
Notes to the Basic Financial Statements  
For the year ended December 31, 2017**

**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, 2017	Additions	Retirements	Transfers/ Reclassifications	Balance as of December 31, 2017
Capital assets, not being depreciated:					
Construction in progress	\$ 2,878,242	\$ 3,145,011	\$ -	\$ (735,971)	\$ 5,287,282
Total capital assets, not being depreciated	<u>2,878,242</u>	<u>3,145,011</u>	<u>-</u>	<u>(735,971)</u>	<u>5,287,282</u>
Capital assets, being depreciated:					
Water and sewer plant	69,968,055	18,194	(16,627)	689,996	70,659,618
Office building and equipment	6,769,778	1,091	(624,380)	-	6,146,489
Vehicles	1,959,507	562,531	(811,786)	45,975	1,756,227
Total capital assets, being depreciated	<u>78,697,340</u>	<u>581,816</u>	<u>(1,452,793)</u>	<u>735,971</u>	<u>78,562,334</u>
Less accumulated depreciation for:					
Water and sewer plant	(40,322,226)	(1,067,182)	9,687	-	(41,379,721)
Office building and equipment	(3,657,702)	(178,795)	642,749	-	(3,193,748)
Vehicles	(1,080,829)	(139,311)	765,966	-	(454,174)
Total accumulated depreciation	<u>(45,060,757)</u>	<u>(1,385,288)</u>	<u>1,418,402</u>	<u>-</u>	<u>(45,027,643)</u>
Net capital assets being depreciated	<u>33,636,583</u>	<u>(803,472)</u>	<u>(34,391)</u>	<u>735,971</u>	<u>33,534,691</u>
Business-type activities capital assets, net	<u>\$ 36,514,825</u>	<u>\$ 2,341,539</u>	<u>\$ (34,391)</u>	<u>\$ -</u>	<u>\$ 38,821,973</u>

Depreciation is up reflecting a continued investment in infrastructure projects. Depreciation expense for capital assets for December 31, 2017 was charged to the different activities as follows:

Water	\$ 972,377
Sewer	<u>412,911</u>
Total	<u>\$ 1,385,288</u>

**Tahoe City Public Utility District  
Notes to the Basic Financial Statements  
For the year ended December 31, 2017**

**5. UNEARNED REVENUE**

*Government-Wide Financial Statements*

At December 31, 2017, there were no differences between unearned revenues in the Government-Wide Financial Statements and the Fund Financial Statements. All amounts represent revenues that had been collected or billed, but not yet earned, as follows:

	Governmental Activities		Total Governmental Activities	Business-Type Activities		Total
	Governmental Funds			Enterprise Fund		
	General Fund	Debt Service Fund			Water Sewer Fund	
Golf Deferred Revenue	\$ 17,645	\$ -	\$ 17,645	\$ -	\$ 17,645	
Sidewalk principal and interest	11,330	2,174	13,504	-	13,504	
Deferred Misc	595	-	595	-	595	
Water system studies grant	-	-	-	97,932	97,932	
<b>Total</b>	<b>\$ 29,570</b>	<b>\$ 2,174</b>	<b>\$ 31,744</b>	<b>\$ 97,932</b>	<b>\$ 129,676</b>	

**6. LONG TERM LIABILITIES**

The following is a summary of long-term liabilities transactions for the year ended December 31, 2017:

	Maturity Date	Interest Rate	Balance January 1, 2017	Additions	Retirements	Balance December 31, 2017	Current Portion	Due in More than One Year
<b>Governmental Activities</b>								
Sidewalk Improvement Bonds	2019	6.02%	\$ 37,539	\$ -	\$ (12,513)	\$ 25,026	\$ 12,513	\$ 12,513
Zions Bank Loan	2017	4.30%	240,402	-	(240,402)	-	-	-
State Water Resources Control Board	2028	1.80%	1,495,446	-	(112,741)	1,382,705	114,773	1,267,932
Taxable Pension Obligation								
Refunding Bonds	2019	4.05%	791,571	-	(307,093)	484,478	319,721	164,757
<b>Total Governmental activities</b>			<b>\$ 2,564,958</b>	<b>\$ -</b>	<b>\$ (672,749)</b>	<b>\$ 1,892,209</b>	<b>\$ 447,007</b>	<b>\$ 1,445,202</b>
<b>Business-Type Activities</b>								
2001 Refunding Bonds								
Series C	2021	6.05%	\$ 172,678	-	\$ (41,884)	\$ 130,794	\$ 42,682	\$ 88,112
<b>Total Business-type activities</b>			<b>\$ 172,678</b>	<b>\$ -</b>	<b>\$ (41,884)</b>	<b>\$ 130,794</b>	<b>\$ 42,682</b>	<b>\$ 88,112</b>

**Tahoe City Public Utility District  
Notes to the Basic Financial Statements  
For the year ended December 31, 2017**

**6. LONG TERM LIABILITIES, Continued**

Future principal and interest payments on all long-term liabilities were as follows at December 31, 2017:

For the Year Ending 12/31	Governmental Activities					
	State Water Resources Control Bd.		Pension Refunding Bonds		Sidewalk Improvement Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 114,773	\$ 24,930	\$ 319,721	\$ 14,806	\$ 12,513	\$ 500
2019	116,843	22,861	164,757	2,506	12,513	250
2020	118,949	20,754	-	-	-	-
2021	121,094	18,609	-	-	-	-
2022	123,277	16,426	-	-	-	-
2023-2027	650,540	47,978	-	-	-	-
2028	137,229	2,474	-	-	-	-
	<u>\$ 1,382,705</u>	<u>\$ 154,032</u>	<u>\$ 484,478</u>	<u>\$ 17,312</u>	<u>\$ 25,026</u>	<u>\$ 750</u>

For the Year Ending 12/31	Business-Type Activities	
	2001 Refunding Bonds Series C	
	Principal	Interest
2018	\$ 42,682	\$ 2,275
2019	43,496	1,461
2020	44,616	632
	<u>\$ 130,794</u>	<u>\$ 4,368</u>

**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.

6. 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.

**Tahoe City Public Utility District  
Notes to the Basic Financial Statements  
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**6. LONG TERM LIABILITIES, Continued**

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.

**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 2017 General Property Tax Pledged
<b>Governmental Activities</b>		
Pension Refunding Bonds	\$ 334,527	4.7%
Sidewalk Improvement Bonds	13,013	0.2%
State Water Resources Control Board	139,703	2.0%
2001 Refunding Bonds Series C	23,929	0.3%
Zions Bank Loan	240,402	3.4%
Unpledged General Property Tax Revenues	6,309,052	89.4%
Total 2017 General Property Tax Revenues	\$ 7,060,626	100.0%

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

**Tahoe City Public Utility District  
Notes to the Basic Financial Statements  
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**7. PLEDGES OF FUTURE REVENUES, Continued**

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, 2017 were as follows:

	Balance <u>January 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>December 31, 2017</u>	Due within <u>One Year</u>
Governmental Activities	\$ 178,222	\$ 103,247	\$ (110,372)	\$ 171,097	\$ 171,097
Business-Type Activities	173,901	311,945	(314,589)	171,257	171,257
<b>Total</b>	<u>\$ 352,123</u>	<u>\$ 415,192</u>	<u>\$ (424,961)</u>	<u>\$ 342,354</u>	<u>\$ 342,354</u>

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

**9. FUND BALANCES / NET POSITION**

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

The following General Fund balance at December 31, 2017 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	\$ 172,113
Assigned	
Capital Reserve -capital	1,034,429
Capital Reserve-rolling stock	130,200
Unassigned fund balance	<u>10,371,710</u>
Total Fund Balance General Fund	<u>\$ 11,708,452</u>

**Tahoe City Public Utility District  
Notes to the Basic Financial Statements  
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**9. FUND BALANCES / NET POSITION, Continued**

The District designated the unrestricted net position of the proprietary fund at December 31, 2017 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			11,863,468
Undesignated			756,994
Total unrestricted net position proprietary fund			\$ 12,620,462

**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 Pension Plan (the Plan), administered by the California Public Employees’ Retirement System (CalPERS). The Plan’s benefit provisions are established by statute. The Plan is included as a pension trust fund in the CalPERS Comprehensive Annual Financial Report, which is available online at [www.calpers.ca.gov](http://www.calpers.ca.gov).

The Plan consists of a miscellaneous pool and a safety pool (referred to as “risk pools”), which are comprised of individual employer miscellaneous and safety rate plans, respectively, including those of the District. The District's employer rate plans in the miscellaneous risk pool include the Miscellaneous plan (Classic) and the Miscellaneous PEPRA plan (PEPRA). The District does not have any rate plans in the safety risk pool.

Benefits Provided – The Plan 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 and PEPRA Safety members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. The 2.7% at 55 Miscellaneous Plan is closed to new entrants PEPRA Miscellaneous members with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The death benefit is the Basic Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law. The Plans’ provisions and benefits in effect at December 31, 2017, are summarized as follows:

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

The Plan provisions and benefits in effect at December 31, 2017 are summarized below:

Hire Date	Miscellaneous	
	Prior to January 1, 2013	After December 31, 2012
	Classic	PEPRA
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	2.0% to 2.7%	1.0% to 2.5%
Required Employee Contribution Rates	8.0%	6.25%
Required Employer Contribution Rates (two rates listed due to fiscal calendar year)	11.675%	6.555%

**Funding Policy**

The plan requires employee contributions equal to some percentage of the employees' annual covered salary. During fiscal 2017 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 Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the CalPERS actuary and shall be effective on the July 1 following notice of a change in the rate. Contribution rates for the employer rate plans are determined through the CalPERS' annual actuarial valuation process. Each employer rate plan's actuarially determined rate is based on the estimated amount necessary to pay the employer rate plan's allocated share of the cost of benefits earned by employees during the year, and any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The District's contributions to the risk pools in the Plan for the year ended December 31, 2017, were as follows:

For the year ended December 31, 2017, the contributions for the plan were as follows:

	Contributions
Contributions - Employer	\$ 848,484
Contributions - Employee	\$ 366,750

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

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

As of December 31, 2017, the District reported a net pension liability for its proportionate share of the net pension liability of the plan of \$10,958,295.

	<u>Proportionate Share of Net Pension Liability</u>
Beginning net pension liability, December 31, 2016	\$ 9,525,375
Pension Expense	1,947,091
Employer contribution	(1,429,294)
Net new deferred in flows / outflows	915,123
	<u>\$ 10,958,295</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, 2016. 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, 2017, the measurement date, was calculated as follows:

Each risk pool's total pension liability was computed at the measurement date, June 30, 2017, 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, 2017, 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, 2017, was calculated by applying Tahoe City Public Utility District's proportionate share percentage as of the valuation date (described above) to the respective risk pool's total pension liability and fiduciary net position as of June 30, 2017, to obtain the total pension liability and fiduciary net position as of June 30, 2017. The fiduciary net position was then subtracted from total pension liability to obtain the net pension liability as of the measurement date.

The Districts proportionate share of the net pension liability as of June 30, 2017 and June 30, 2016 was as follows:

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

	Miscellaneous Risk Pool
Proportion at valuation date – June 30, 2017	0.277985%
Proportion at measurement date – June 30, 2016	0.274200%
Change – increase (decrease)	<u>0.003785%</u>

For the year ended December 31, 2017 the District recognized pension expense of \$1,947,091. At December 31, 2017 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	\$ 671,498	\$ -
Differences between actual and expected experience	13,302	185,872
Difference between actual ER contributions & ER share of total contributions	-	370,118
Changes in Assumptions	1,609,353	125,853
Change in employer's proportion	404,122	-
Net Difference between projected and actual earnings on plan investment	1,631,454	1,258,269
	<u>\$ 4,329,729</u>	<u>\$ 1,940,112</u>

The \$671,498 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, 2018. 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
2018	\$ 438,735
2019	929,931
2020	554,653
2021	(205,200)
	<u>\$ 1,718,119</u>

**Tahoe City Public Utility District  
Notes to the Basic Financial Statements  
For the year ended December 31, 2017**

**10. PENSION PLANS, Continued**

**Actuarial Assumptions**

The total pension liabilities in the December 31, 2017 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase <sup>(1)</sup>	Varies by Entry Age & Length of Service
Investment Rate of Return <sup>(2)</sup>	7.50% net of pension plan investment and administrative expenses
Mortality <sup>(3)</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) Net of Pension Plan Investment and Administrative Expense; includes inflation
- (3) The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the April 2014 CalPERS Experience Study and Review of Actuarial Assumptions report (based on CalPERS demographic data from 1997 to 2011) available online at <https://www.calpers.ca.gov/docs/forms-publications/calpers-experience-study-2014.pdf>.
- (4) Changes in assumptions. For the measurement period June 30, 2017, the accounting discount rate was lowered from 7.65% to 7.15%

**Allocation Amongst District Funds**

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

**Discount Rate**

The discount rate used to measure the total pension liability was 7.15%. 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 7.15% 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, 2017 based on June 30, 2016 Valuations, that can be obtained from the CalPERS website.

**Tahoe City Public Utility District  
Notes to the Basic Financial Statements  
For the year ended December 31, 2017**

**10. PENSION PLANS, Continued**

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 7.15% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed

to be 0 basis points. An investment return excluding administrative expenses would have been 7.50%. 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. 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. 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 10 years) and the long-term (11+ 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 table below 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.

**Tahoe City Public Utility District  
Notes to the Basic Financial Statements  
For the year ended December 31, 2017**

**10. PENSION PLANS, Continued**

Asset Class	Current Strategic Allocation	Real Return Years 1- 10 (a)	Real Return Years 11+ (b)
Global Equity	47.00%	4.90%	5.38%
Global Fixed Income	19.00%	0.80%	2.27%
Inflation Sensitive	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure and Forestland	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	-0.90%
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

**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% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Plan's Net Pension Liability / ( Asset)	16,263,182	\$ 10,958,295	6,564,392

**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.

**Tahoe City Public Utility District**  
**Notes to the Basic Financial Statements**  
**For the year ended December 31, 2017**

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

*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 2017, the District paid \$157,117 toward retiree medical premiums and \$30,128 for retiree dental and vision claims, which amounted to \$187,245, as contributions to OPEB. TCPUD also placed \$103,205 into the CERBT, to be applied towards the OPEB obligation. This provided for \$290,450 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:

Annual required contribution (ARC)	\$	333,083
Interest adjustment		(22,177)
Adjustment to the ARC		28,182
Annual OPEB Expense		<u>339,088</u>
Contribution made		<u>351,448</u>
Increase in net OPEB asset		12,360
Net OPEB Asset - beginning of year		<u>310,463</u>
Net OPEB Asset - end of year	\$	<u><u>322,823</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Retiree Health Plan, and the net OPEB asset for the fiscal year ended December 31, 2017 and the last four previous fiscal years are as follows:

Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Asset
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
2017	\$ 339,088	103.6%	\$ 322,823

*Funded Status and Funding Progress* - As of December 31, 2017, the actuarial accrued liability for benefits was \$4,055,474 of which \$1,736,405 was funded in the CERBT. The covered payroll (annual payroll of active

**Tahoe City Public Utility District  
Notes to the Basic Financial Statements  
For the year ended December 31, 2017**

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

employees covered by the plan) was \$3,987,877 and the ratio of the unfunded actuarial liability to the covered payroll was 58.2%.

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.

The funding method used is entry age normal cost. Plan assets are valued at fair market value at December 31, 2017. The discount rate used is 7.28%. 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 4.0% 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, 2017 was 22 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:

**Tahoe City Public Utility District  
Notes to the Basic Financial Statements  
For the year ended December 31, 2017**

**12. RISK MANAGEMENT, Continued**

	<u>September 30, 2017</u>	<u>September 30, 2016</u>
Total assets	\$ 199,365,344	\$ 189,566,761
Deferred Outflows	1,404,974	1,065,779
Total liabilities	123,871,469	121,474,323
Deferred Inflows	1,576,175	454,600
Total net assets	75,322,674	68,703,617
Total operating revenues	169,992,183	146,991,398
Total operating expenses	164,170,540	161,601,971

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. The District is a member of the Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA), an intergovernmental risk sharing joint powers authority created to provide insurance programs for California water agencies. The role of the ACWA/JPIA is to arrange and administer insurance programs where loss is retained and shared among its member agencies, and to purchase excess or specialty-insurance coverage above retained limits. The District participated in the liability, property, and workers' compensation programs of the ACWA/JPIA as follows:

- General, auto, and public officials' liability coverage up to the ACWA/JPIA pooled self-insured limits of \$5,000,000 per occurrence. ACWA/JPIA purchased additional excess coverage layers, which increases the coverage limits to \$60,000,000.

Employee dishonesty coverage up to \$1,100,000, which includes public employee dishonesty, forgery or alteration, and computer fraud, with a \$1,000 deductible.

- Property loss is paid at the replacement cost for property on file, if replaced within two years after the loss, and otherwise paid on an actual cash value basis, to a combined total of \$500 million, subject to a deductible that generally ranges from \$25,000 to \$100,000 depending on the type of property.
- Workers' compensation insurance up to the ACWA/JPIA pooled self-insured limit of \$2,000,000 for all work-related injuries/illnesses covered by California law. ACWA/JPIA purchased additional excess coverage layers, which increases the coverage limit from \$2,000,000 up to the statutory limit as established by the State of California.

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 2017, the District did not significantly reduce its insurance coverage from the prior year. Furthermore, settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there were no reductions in the District's insurance coverage during the year ended December 31, 2017.

**Tahoe City Public Utility District  
Notes to the Basic Financial Statements  
For the year ended December 31, 2017**

**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 \$2,333,557 at December 31, 2017.

**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.

For fiscal year 2017 the District has contracted with AEC for the following projects and provided payments in the amounts as follows:

**15. RELATED PARTY TRANSACTIONS, Continued**

Project Name	Amount
Bunker Water Tank Replacement	\$ 36,886
Dollar 1 Backup Power	3,741
John Cain Sewer Line Replacement	10,160
Madden Creek Water System	38,778
Manzanita Water Main Replacement	67,126
Tahoe Cedars Water System Interconnection	19,931
Tahoe City Sewer System Rehab	90,935
Tahoe City Golf Course Ice Rink	10,544
Tahoe City Golf Course Upper Parking Lot / Maintenance Building	7,443
Truckee River Overlay	37,753
Truckee River Trail Stabilization & Restoration	1,425
	\$ 324,722

**Tahoe City Public Utility District**  
**Notes to the Basic Financial Statements**  
**For the year ended December 31, 2017**

**16. PRIOR PERIOD RESTATEMENT**

As a result of separating the Utility Fund and reclassifying assets, TCPUD has restated the beginning, net position in the government-wide Statement of Net Position effectively increasing net position as of December 31, 2017 by \$109,513 in the governmental activities and decreasing net position by \$109,513 in the business type activities.

	Governmental Activities	Business-Type Activities	Total
Net position - Beginning as previously reported	\$ 31,417,716	\$ 49,005,476	\$ 80,423,192
Reclassifying assets prior period restatement	109,513	(109,513)	-
Net position - restated	\$ 31,527,229	\$ 48,895,963	\$ 80,423,192
Change in net position	2,998,700	1,902,320	4,901,020
Net position - Ending	<u>\$ 34,525,929</u>	<u>\$ 50,798,283</u>	<u>\$ 85,324,212</u>

**17. SUBSEQUENT EVENTS**

On January 2, 2018, TCPUD purchased three water systems for \$5,145,000 which require significant capital upgrades to bring these water systems into compliance with TCPUD standards.

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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.
6. Budgetary controls are set at a Fund level- The General Manager shall have authority to move budgeted amounts among the expenditure categories of salary and benefits, maintenance and operations, and capital expenditures.
7. Budgetary controls authorization-The Board of Directors shall retain sole authority for budgeting new capital projects, authorizing new permanent salaried positions, movement of authorization among funds, and the use of undesignated net position and unassigned fund balance.

Tahoe City Public Utility District  
 Required Supplementary Information  
 For the year ended December 31, 2017

Budgetary Comparison Schedule - General Fund

	Budget Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Fees	\$ 635,924	\$ 635,924	\$ 537,394	\$ (98,530)
Property taxes	5,355,572	5,355,572	6,314,225	958,653
Interest	46,644	46,644	123,975	77,331
Grants	2,122,762	2,122,762	509,364	(1,613,398)
Other	408,243	408,243	472,608	64,365
<b>Total revenues</b>	<b>8,569,145</b>	<b>8,569,145</b>	<b>7,957,566</b>	<b>(611,579)</b>
<b>EXPENDITURES:</b>				
Current:				
Public works - Parks	3,292,172	3,293,667	2,938,775	354,892
Recreation	722,708	861,268	654,036	207,232
Other operating	116,604	116,604	86,651	29,953
Capital outlay	2,791,588	2,791,588	754,939	2,036,649
<b>Total expenditures</b>	<b>6,923,072</b>	<b>7,063,127</b>	<b>4,434,401</b>	<b>2,628,726</b>
<b>REVENUES OVER EXPENDITURES</b>	<b>1,646,073</b>	<b>1,506,018</b>	<b>3,523,165</b>	<b>2,017,147</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from sales of asset	360	360	11,250	10,890
<b>Total other financing sources (uses)</b>	<b>360</b>	<b>360</b>	<b>11,250</b>	<b>10,890</b>
<b>REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b>\$ 1,646,433</b>	<b>\$ 1,506,378</b>	<b>3,534,415</b>	<b>\$ 2,028,037</b>
<b>FUND BALANCES:</b>				
Beginning of year			8,174,037	
End of year			<u>\$ 11,708,452</u>	

Tahoe City Public Utility District  
 Required Supplementary Information  
 As of June 30, 2017 (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	Measurement Date June 30, 2017
Proportion of the Net Pension Liability/(Asset)	0.109593%	0.274200%	0.277985%
Proportionate Share of the Net Pension Liability/(Asset)	\$7,923,418	\$9,525,375	\$10,958,295
Covered-Employee Payroll**	\$3,460,301	\$3,704,592	\$3,951,397
Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	217.39%	257.12%	277.33%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	78.41%	74.06%	73.31%

Notes to Schedule:

Changes of benefit terms - In 2017, there were no changes to the benefit terms.

Changes in assumptions - In 2017, the accounting discount rate was lowered from 7.65% to 7.15%. In 2016, there were no changes in assumptions. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5% (net of administrative expenses) to 7.65% (without a reduction for pension plan administrative expenses).

\* Fiscal Year 2015 was the first year of implementation, therefore only 3 years are shown.

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

Tahoe City Public Utility District  
 Required Supplementary Information  
 as of Year-End

Schedule of Contributions - CalPERS

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

	CalPERS Fiscal Year 2014-2015	CalPERS Fiscal Year 2015-2016	CalPERS Fiscal Year 2016-2017
Actuarially Determined Contributions	\$ 904,952	\$ 949,673	\$ 671,498
Actual Contributions During the Measurement Period	(560,405)	(703,529)	(848,484)
Contribution Deficiency (Excess)	<u>\$ 344,547</u>	<u>\$ 246,144</u>	<u>\$ (176,986)</u>
Covered-Employee Payroll	\$ 3,609,946	\$ 3,814,688	\$ 3,997,986
Contributions as a Percentage of Covered-Employee Payroll	15.52%	18.44%	21.22%

Notes to Schedule:

Valuation Date: June 30, 2014 June 30, 2015 June 30, 2016

\* Fiscal Year 2015 was the first year of implementation, therefore only 3 years are shown.

Tahoe City Public Utility District  
 Required Supplementary Information  
 For the year ended December 31, 2017

Retiree Health Plan (OPEB) - Schedule of Funding Progress

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

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) - Entry Age Normal (B)	Unfunded (Overfunded) AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
12/31/2013	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%
12/31/2017	1,736,405	4,055,474	2,319,069	42.8%	3,987,877	58.2%

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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 82-86

*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 87-89

*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 90-93

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

Operating Information 94-101

*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.*

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

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Governmental activities										
Net Investment										
in capital assets	\$ 26,571,841	\$ 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
Restricted	13,800	-	-	-	-	-	-	-	-	-
Unrestricted	7,940,288	4,073,347	5,842,369	8,826,600	3,149,351	349,651	1,642,768	1,122,150	702,001	684,901
Total governmental activities net position	<u>\$ 34,525,929</u>	<u>\$ 31,417,716</u>	<u>\$ 31,330,783</u>	<u>\$ 31,839,467</u>	<u>\$ 28,722,302</u>	<u>\$ 26,463,119</u>	<u>\$ 20,412,724</u>	<u>\$ 19,932,473</u>	<u>\$ 18,871,112</u>	<u>\$ 19,316,801</u>
Business-type activities										
Net Investment										
in capital assets	\$ 38,617,239	\$ 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
Restricted	51,200	65,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000	83,592
Unrestricted	12,129,844	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
Total business-type activities net position	<u>\$ 50,798,283</u>	<u>\$ 49,005,476</u>	<u>\$ 41,622,425</u>	<u>\$ 45,398,328</u>	<u>\$ 43,632,778</u>	<u>\$ 40,148,464</u>	<u>\$ 36,788,654</u>	<u>\$ 32,400,346</u>	<u>\$ 29,734,770</u>	<u>\$ 27,762,970</u>
Primary Government										
Net Investment										
in capital assets	65,189,080	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
Restricted	65,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000	83,592
Unrestricted	20,070,132	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
Total primary government net position	<u>\$ 85,324,212</u>	<u>\$ 80,423,192</u>	<u>\$ 72,953,208</u>	<u>\$ 77,237,795</u>	<u>\$ 72,355,080</u>	<u>\$ 66,611,583</u>	<u>\$ 57,201,378</u>	<u>\$ 52,332,819</u>	<u>\$ 48,605,882</u>	<u>\$ 47,079,771</u>

Net Position by Component

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

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Charges for services:</b>										
Water	4,982,871	4,509,106	4,200,135	4,261,947	4,479,654	4,062,675	3,801,695	3,569,139	3,149,273	2,835,851
Sewer	4,680,507	4,418,035	4,433,925	4,146,065	3,920,035	3,645,909	3,264,923	2,874,137	2,322,991	2,061,367
Operating grants and contributions	191,742	3,991	44,028	-	-	239,547	314,735	61,218	-	28,000
Capital grants and contributions	161,868	211,035	237,620	202,026	1,572,553	2,035,785	400,000	541,489	136,185	-
Property taxes	23,929	23,290	23,287	23,287	23,287	19,951	44,526	64,457	104,095	104,095
Investment earnings	233,590	148,549	118,439	104,797	104,964	70,904	36,632	27,086	45,335	71,830
Transfers		5,508,259	-	-			3,242,422	1,950,000	2,600,000	3,150,000
<b>Total program revenues</b>	<b>10,274,507</b>	<b>14,822,265</b>	<b>9,057,434</b>	<b>8,738,122</b>	<b>10,100,493</b>	<b>10,074,771</b>	<b>11,104,933</b>	<b>9,087,526</b>	<b>8,357,879</b>	<b>8,251,143</b>
<b>Expenses:</b>										
Water - direct expenses	4,667,549	3,918,289	3,971,701	3,215,001	3,060,475	2,624,423	2,679,086	2,734,394	2,631,299	2,815,784
Sewer- direct expenses	3,703,846	3,470,484	2,895,256	2,575,524	2,519,612	2,552,374	2,705,614	2,471,935	2,544,654	2,663,451
Indirect expenses	792	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
<b>Total expenses</b>	<b>8,372,187</b>	<b>7,439,212</b>	<b>6,552,189</b>	<b>6,972,574</b>	<b>6,696,251</b>	<b>6,714,961</b>	<b>6,716,625</b>	<b>6,421,950</b>	<b>6,386,079</b>	<b>6,742,472</b>
<b>Change in net position</b>	<b>1,902,320</b>	<b>7,383,053</b>	<b>2,505,245</b>	<b>1,765,548</b>	<b>3,404,242</b>	<b>3,359,810</b>	<b>4,388,308</b>	<b>2,665,576</b>	<b>1,971,800</b>	<b>1,508,671</b>
Net Position	49,005,476	41,622,423	45,398,326	43,632,778	40,148,464	36,788,654	32,400,346	29,734,770	27,762,970	26,254,299
Prior period restatement	(109,513)		(6,281,148)		80,072					
Net Position - Beginning	48,895,963	41,622,423	39,117,178	43,632,778	40,228,536	36,788,654	32,400,346	29,734,770	27,762,970	26,254,299
Net Position - Ending	50,798,283	49,005,476	41,622,423	45,398,326	43,632,778	40,148,464	36,788,654	32,400,346	29,734,770	27,762,970

Business-Type Activities Change in Net Position

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

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<u>Charges for services:</u>										
Public works-Parks	733,871	349,343	318,032	312,132	357,766	326,429	238,060	242,854	201,623	192,472
Recreation	275,719	295,913	290,265	316,671	320,432	275,449	266,806	224,850	270,305	269,687
Operating grants and contributions	374,748	394,768	349,078	334,610	305,861	367,184	374,326	297,996	366,644	310,358
Capital grants and contributions	134,616	2,585,198	373,169	968,622	257,535	4,346,031	2,194,414	1,157,357	60,519	217,104
Property taxes	7,036,697	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
Investment earnings	123,975	120,327	88,257	51,736	(1,790)	(268)	5,356	6,153	8,945	13,178
Transfers		(5,508,259)		-			(3,242,422)	(1,950,000)	(2,600,000)	(3,150,000)
<u>Total program revenues</u>	<u>8,679,626</u>	<u>4,954,968</u>	<u>7,733,334</u>	<u>7,697,299</u>	<u>6,809,155</u>	<u>10,563,988</u>	<u>4,950,827</u>	<u>5,197,068</u>	<u>3,705,933</u>	<u>2,963,540</u>
<u>Expenses:</u>										
Public works-Parks direct expenses	4,815,967	3,957,048	3,788,125	3,605,113	3,538,594	2,890,323	2,913,881	2,740,442	2,814,116	2,806,904
Recreation - direct expenses	731,763	735,527	691,660	686,566	658,660	655,346	698,488	598,192	624,310	662,169
Indirect expenses	133,196	175,459	(16,861)	288,455	352,718	967,924	858,207	797,073	713,196	798,252
<u>Total expenses</u>	<u>5,680,926</u>	<u>4,868,034</u>	<u>4,462,924</u>	<u>4,580,134</u>	<u>4,549,972</u>	<u>4,513,593</u>	<u>4,470,576</u>	<u>4,135,707</u>	<u>4,151,622</u>	<u>4,267,325</u>
<u>Change in net position</u>	<u>2,998,700</u>	<u>86,934</u>	<u>3,270,410</u>	<u>3,117,165</u>	<u>2,259,183</u>	<u>6,050,395</u>	<u>480,251</u>	<u>1,061,361</u>	<u>(445,689)</u>	<u>(1,303,785)</u>
Net Position	31,417,716	31,330,782	31,839,467	28,722,302	26,463,119	20,412,724	19,932,473	18,871,112	19,316,801	20,620,586
Prior period restatement	109,513		(3,779,095)							
<u>Net Position - Beginning</u>	<u>31,527,229</u>	<u>31,330,782</u>	<u>28,060,372</u>	<u>28,722,302</u>	<u>26,463,119</u>	<u>20,412,724</u>	<u>19,932,473</u>	<u>18,871,112</u>	<u>19,316,801</u>	<u>20,620,586</u>
<u>Net Position - Ending</u>	<u>34,525,929</u>	<u>31,417,716</u>	<u>31,330,782</u>	<u>31,839,467</u>	<u>28,722,302</u>	<u>26,463,119</u>	<u>20,412,724</u>	<u>19,932,473</u>	<u>18,871,112</u>	<u>19,316,801</u>

Governmental Activities Change in Net Position

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

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Revenues</b>										
Fees	\$ 537,394	\$ 410,153	\$ 442,891	\$ 571,485	\$ 520,240	\$ 559,633	\$ 498,272	\$ 465,063	\$ 471,928	\$ 459,258
Property taxes	7,036,697	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
Interest	123,975	120,327	88,211	51,736	(2,487)	(268)	5,356	6,153	8,945	13,178
Grants	509,364	2,718,957	706,453	1,289,217	551,250	4,713,215	2,469,981	1,228,833	395,497	466,512
Other	486,034	521,582	224,359	53,933	170,501	92,208	98,828	45,520	31,666	57,814
<b>Total Revenues</b>	<b>8,693,464</b>	<b>10,488,697</b>	<b>7,776,447</b>	<b>7,679,899</b>	<b>6,808,855</b>	<b>10,613,951</b>	<b>8,186,724</b>	<b>6,963,427</b>	<b>6,305,933</b>	<b>6,107,503</b>
<b>Expenditures</b>										
<b>Current:</b>										
Public works - Parks	2,938,775	2,333,482	2,310,189	2,085,922	2,017,398	1,885,281	2,091,189	1,891,425	1,823,687	1,823,940
Recreation	654,036	672,401	651,605	640,271	624,534	844,912	729,913	695,214	740,912	803,340
Other operating	86,651	103,784	109,790	163,378	201,516	164,734	121,859	90,389	67,423	80,501
Capital outlay	754,939	3,230,849	1,115,993	1,407,588	545,633	6,092,228	2,825,246	1,161,257	270,516	374,249
<b>Debt service:</b>										
Principal	672,749	648,609	625,403	639,848	796,035	908,088	760,017	612,652	591,685	1,909,789
Interest	63,143	87,393	110,940	129,892	156,576	197,035	181,381	162,156	183,875	186,963
<b>Total expenditures</b>	<b>5,170,293</b>	<b>7,076,518</b>	<b>4,923,920</b>	<b>5,066,899</b>	<b>4,341,692</b>	<b>10,092,278</b>	<b>6,709,605</b>	<b>4,613,093</b>	<b>3,678,098</b>	<b>5,178,782</b>
<b>Revenues over expenditures</b>	<b>3,523,171</b>	<b>3,412,179</b>	<b>2,852,527</b>	<b>2,613,000</b>	<b>2,467,163</b>	<b>521,673</b>	<b>1,477,119</b>	<b>2,350,334</b>	<b>2,627,835</b>	<b>928,721</b>
<b>Other Financing Sources (Uses)</b>										
Proceeds from the sale of assets	11,250	-	-	17,400	300	300	6,525	2,641	-	2,646
Proceeds from bonds	-	-	-	-	-	-	2,280,000	-	-	2,328,382
Transfers in from other funds	-	-	-	-	-	-	-	-	-	1,434,287
Transfers out to other funds	-	(5,508,259)	-	-	-	-	(3,242,422)	(1,950,000)	(2,600,000)	(4,584,287)
<b>Total other financing sources (uses)</b>	<b>11,250</b>	<b>(5,508,259)</b>	<b>-</b>	<b>17,400</b>	<b>300</b>	<b>300</b>	<b>(955,897)</b>	<b>(1,947,359)</b>	<b>(2,600,000)</b>	<b>(818,972)</b>
<b>Net change in fund balances</b>	<b>3,534,421</b>	<b>(2,096,080)</b>	<b>2,852,527</b>	<b>2,630,400</b>	<b>2,467,463</b>	<b>521,973</b>	<b>521,222</b>	<b>402,975</b>	<b>27,835</b>	<b>109,749</b>
<b>Fund Balances</b>										
Fund Balance - Beginning	8,174,383	10,270,462	7,417,935	4,787,535	2,320,072	1,798,099	1,276,877	873,902	846,067	736,318
<b>End of year</b>	<b>\$ 11,708,804</b>	<b>\$ 8,174,382</b>	<b>\$ 10,270,462</b>	<b>\$ 7,417,935</b>	<b>\$ 4,787,535</b>	<b>\$ 2,320,072</b>	<b>\$ 1,798,099</b>	<b>\$ 1,276,877</b>	<b>\$ 873,902</b>	<b>\$ 846,067</b>
<b>Debt Service as a Percentage of Noncapital Expenditures</b>	<b>16.67%</b>	<b>19.14%</b>	<b>19.34%</b>	<b>21.04%</b>	<b>25.09%</b>	<b>27.63%</b>	<b>24.24%</b>	<b>22.45%</b>	<b>22.76%</b>	<b>43.64%</b>

Changes in Fund Balance of the Governmental Funds

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

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Fund										
Nonspendable	\$ 172,113	\$ 153,770	\$ 168,226	\$ 93,903	\$ 28,811	\$ 65,553	\$ 45,268	\$ 41,354	\$ -	\$ -
Committed			-	-						
Assigned	1,164,629	1,164,629	964,493	770,962	450,000	450,000	450,000	450,000	50,000	50,000
Unassigned	10,371,710	6,855,637	9,137,397	6,552,781	4,308,435	1,804,519	1,302,831	785,523	823,902	796,067
Total general fund	<u>\$ 11,708,452</u>	<u>\$ 8,174,036</u>	<u>\$ 10,270,116</u>	<u>\$ 7,417,646</u>	<u>\$ 4,787,246</u>	<u>\$ 2,320,072</u>	<u>\$ 1,798,099</u>	<u>\$ 1,276,877</u>	<u>\$ 873,902</u>	<u>\$ 846,067</u>

Fund Balance of General Fund

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

Fiscal Year	Parks		Recreation		Golf Course Property		Debt Service		Reserves / Capital Expenditures		Total	
		% Change Inc. (Dec.)		% Change Inc. (Dec.)		% Change Inc. (Dec.)		% Change Inc. (Dec.)		% Change Inc. (Dec.)		% Change Inc. (Dec.)
2008	\$ 1,372,165	17.7%	\$ 485,019	3.7%	n/a	0%	\$ 745,015	52.1%	\$ 2,619,389	-6.6%	\$ 5,221,588	15.2%
2009	\$ 1,289,308	-6.0%	\$ 435,535	-10.2%	n/a	0%	\$ 858,863	15.3%	\$ 2,897,494	10.6%	\$ 5,481,200	5.0%
2010	\$ 1,414,956	9.7%	\$ 408,705	-6.2%	n/a	0%	\$ 819,476	-4.6%	\$ 2,619,389	-9.6%	\$ 5,262,526	-4.0%
2011	\$ 1,533,522	8.4%	\$ 380,080	-7.0%	n/a	0%	\$ 966,637	18.0%	\$ 2,259,286	-13.7%	\$ 5,139,525	-2.3%
2012	\$ 1,247,270	-18.7%	\$ 503,378	32.4%	\$25,293.00	0%	\$ 1,112,040	15.0%	\$ 2,381,131	5.4%	\$ 5,269,112	2.5%
2013	\$ 1,297,872	4.1%	\$ 285,373	-43.3%	\$ 91,530	262%	\$ 961,632	-13.5%	\$ 2,956,231	24.2%	\$ 5,592,638	6.1%
2014	\$ 1,376,581	6.1%	\$ 317,206	11.2%	\$ 100,568	10%	\$ 779,012	-19.0%	\$ 3,163,448	7.0%	\$ 5,736,815	2.6%
2015	\$ 1,469,973	6.8%	\$ 331,410	4.5%	\$ 175,510	75%	\$ 745,865	-4.3%	\$ 3,615,062	14.3%	\$ 6,337,820	10.5%
2016	\$ 1,331,901	-9.4%	\$ 312,040	-5.8%	\$ 344,221	96%	\$ 745,777	0.0%	\$ 4,040,790	11.8%	\$ 6,774,729	6.9%
2017	\$ 1,261,408	-5.3%	\$ 353,146	13.2%	\$ 591,544	72%	\$ 746,402	0.1%	\$ 4,108,126	1.7%	\$ 7,060,626	4.2%

Property Tax Uses

## General Fund User Fees and Grants

### Tahoe City Public Utility District General Fund 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
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
2017	\$ 367,142	\$ 349,577	\$ 366,729	\$ 275,719	\$ 25,171	\$ 1,384,338

*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.*

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

2017			2012		
Customer	Total Revenue	Rank	Customer	Total Revenue	Rank
Tahoe Truckee Unified School District	\$ 60,040	1	Tahoe Truckee Unified School District	\$ 54,782	1
North Tahoe Public Utility District	\$ 24,475	2	Homewood Village Resort	\$ 28,930	2
US Department of Agriculture	\$ 20,870	3	North Tahoe Public Utility District	\$ 22,055	3
Homewood Village Resort	\$ 17,157	4	Channel Lumber CO	\$ 16,064	4
Channel Lumber CO	\$ 16,417	5	US Department of Agriculture	\$ 15,048	5
Meganne Houghton-Berry	\$ 12,173	6	Granlibakken Resort	\$ 14,660	6
Safeway Inc	\$ 11,908	7	Save Mart Supermarkets	\$ 11,300	7
Save Mart Supermarkets	\$ 11,779	8	Robert Cook	\$ 11,038	8
Tahoe Lodging LLC	\$ 11,650	9	Tahoe Lodging LLC	\$ 10,568	9
GBE North Lake Blvd LLC	\$ 11,564	10	NLT 955 LLC	\$ 10,480	10

Ten Largest Customers

Sources: Tahoe City Public Utility District Accounting Department. Excludes TCPUD Owned Facility Water Use

## 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
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%
2017/2018	\$ 3,864,245,853	4.44%	\$1,040,463,983	4.97%

Source: Placer County Assessed Valuation and Tax Rates (Excludes Airplane Valuations) and County of El Dorado Assessed value by Agency

## 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*

## Placer County Collections

Tahoe City Public Utility District  
Placer County Collections  
For the year ended December 31

Year	Park Dedication Fees (Placer Co) Collected	Transportation Occupancy Tax (Placer Co) Collected
2017	Not Reported	\$ 17,451,970
2016	\$ 54,507	\$ 16,056,340
2015	\$ 25,284	\$ 13,652,655
2014	\$ 65,403	\$ 15,448,163
2013	\$ 88,048	\$ 12,001,977
2012	\$ 37,762	\$ 10,151,346
2011	\$ 28,669	\$ 10,255,186
2010	\$ 24,671	\$ 9,812,442
2009	\$ 19,561	\$ 7,987,928
2008	\$ 79,352	Not Available

*Source: Placer County Parks and North Lake Tahoe Resort Association*

TAHOE CITY PUBLIC UTILITY DISTRICT  
Demographic Statistics  
Tahoe City Public Utility District, Placer County and El Dorado County

Year	District Workforce	Placer County Population	El Dorado County Population	Median Household Income (Placer Co)	Median Household Income (El Dorado Co)	Unemployment Rate Placer County	Unemployment Rate El Dorado County
2017	56.62	381,675	186,123	\$79,392	Not yet Reported	3.1%	4.7%
2016	54.32	375,805	184,085	\$76,926	\$75,575	4.4%	5.1%
2015	51.28	370,973	183,147	\$76,203	\$70,991	5.0%	5.7%
2014	49.88	367,878	182,578	\$75,689	\$70,235	6.3%	7.0%
2013	49.59	363,863	182,348	\$73,643	\$63,002	7.7%	8.5%
2012	48.14	359,578	181,157	\$69,521	\$68,446	9.4%	10.2%
2011	47.88	355,260	180,917	\$69,581	\$61,970	10.8%	11.7%
2010	45.65	348,432	181,058	\$68,330	\$65,201	0.1%	12.2%
2009	46.86	344,088	179,701	\$70,751	\$68,778	10.2%	10.9%
2008	47.00	337,914	178,599	\$75,029	\$67,019	6.5%	7.0%
2007	46.03	329,719	177,195	\$69,667	\$64,256	4.8%	5.2%

Source: (1) District Workforce based on FTEs  
(2) Populations derived from State of California Department of Finance  
(3) MHI derived from Federal Reserve Bank of St. Louis  
(4) Unemployment derived from Federal Reserve Bank of St. Louis

TAHOE CITY PUBLIC UTILITY DISTRICT  
 Full Time Staffing Levels  
 Last Ten Fiscal Years (unaudited)

	Actuals										
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Utilities	15.34	14.93	13.88	14.31	14.00	14.00	14.00	13.00	14.00	14.00	14.00
Governance and Administrative Services	8.96	9.20	9.17	9.17	9.00	10.00	10.00	9.00	9.50	8.00	9.00
Engineering	4.31	3.74	5.63	5.08	4.00	4.00	3.00	3.00	2.50	3.00	3.00
Support Services	6.06	6.02	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Parks and Recreation Administration	0.87	1.04	1.00	1.00	1.00	2.00	2.00	2.00	2.00	2.00	2.00
Parks	7.23	6.08	6.22	6.44	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Recreation	1.35	2.09	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Golf	1.83	0.06	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>45.95</b>	<b>43.16</b>	<b>41.90</b>	<b>42.00</b>	<b>39.00</b>	<b>41.00</b>	<b>40.00</b>	<b>38.00</b>	<b>39.00</b>	<b>38.00</b>	<b>39.00</b>

Actual Full Time Staffing Levels

## Budgeted Full Time Equivalents

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

	Budget					
	2018	2017	2016	2015	2014	2013
Water	9.26	7.72	8.03	7.30	7.26	7.41
Sewer	8.74	8.64	8.33	7.58	7.55	7.97
Engineering	3	2.00	3.70	3.73	3.26	2.74
Support Services	5.4	5.55	4.00	4.03	3.80	3.65
Projects	1.85	1.90	1.72	1.90	2.50	1.90
Parks	12.95	12.14	12.31	12.29	12.23	11.48
Recreation	8.27	7.07	6.95	6.92	6.94	6.88
Golf Course/Winter Sports Park	7.44	0.00	0.00	0.00	0.00	0.00
Governance and Administrative Services	10.60	10.17	9.92	9.57	9.60	9.83
<b>Total</b>	67.51	55.19	54.96	53.32	53.14	51.86

*Notes: 2018 was the first full fiscal year of golf course/winter sports park operation by TCPUD.  
2013 was the first year budgeted FTEs were reported*

*Source: Tahoe City Public Utility District Accounting Dept.*

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

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Utilities:</b>										
Water Production (million gallons)	387.5	351.8	329.0	413.7	470.8	482.7	415.7	456.5	501.5	593.5
Sewer Flows (million gallons)	362.9	220.6	176.8	200.3	238.1	258.3	314.6	256.2	256.7	269.8
Lineal feet of sewer mains televised	118,800	142,558	119,015	68,913	170,942	207,204	175,197	95,000	157,654	158,400
Lineal feet of sewer mains cleaned	230,736	298,015	252,854	440,013	287,084	483,856	409,260	422,000	517,000	519,000
<b>Technical Services:</b>										
Permits Issued - New	13	15	15	16	11	6	5	12	10	28
Permits Issued - Remodel	112	150	141	132	144	138	93	106	98	121
Number of Sewer Air Tests	330	314	297	326	304	310	251	221	198	184
Escrow Clearances Processed	224	204	204	219	240	202	169	150	124	84
Plan Checks Completed	151	188	161	169	144	140	88	108	92	139
<b>Parks:</b>										
Miles of trails Maintained	23	23	22	22	22	19	19	19	19	19
Number of Facility Rentals <sup>1</sup>	226	229	246	179	154	173	150	174	247	5
<b>Recreation:</b>										
Numbers enrolled in Youth Programs <sup>2</sup>	552	605	1080	970	1246	643	1123	1180	1369	124
Numbers enrolled in Adult Programs <sup>3</sup>	95	95	147	178	113	158	154	139	159	18
Number of camp enrollees <sup>4</sup>	909	1018	796	733	708	649	731	647	636	NA

Operating Indicators by Function

<sup>1</sup> Facility Rentals include Fairway Community Center, Tahoe Community Center, Highlands Community Center, Rideout, Commons Beach, Lake Forest Beach, Skylandia 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.

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

Program	Unit of Measurement	Actuals									
		2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Water	Customers	5,701	4,167	4,168	4,173	4,188	4,088	4,088	3,980	3,947	3,910
Sewer	Customers	7,689	7,674	7,665	7,645	7,636	7,636	7,636	7,504	7,466	7,443
Camp Skylandia	Enrolled Campers	710	714	736	641	615	601	692	637*	637*	637*
Concerts at Commons Beach	Individual Attendees	24,500*	23,000*	16,550*	15,525*	20,550*	23,200*	26,050*	19,095*	17,047*	15,505*
Tahoe City Golf Course	Rounds Played	8,545	10,228	12,832	9,974	11,637	11,060	n/a	n/a	n/a	n/a
Lake Forest Boat Ramp	Boats Launched	5,624	6,860	5,280	5,005	4,476	4,532	4,030	4,946	5,739	4,395

Source: Tahoe City Public Utility District

\* estimated

n/a - data not available

User Statistics

TAHOE CITY PUBLIC UTILITY DISTRICT  
 Water and Sewer Base Rates  
 Last Ten Fiscal Years (unaudited)

Year	Residential Monthly Water Base Rate .75" meter	Commercial Monthly Water Base Rate .75" meter	Residential Monthly Sewer Base Rate	Commercial Monthly Sewer Base Rate Hotel Room w/Bath - per room
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
2017	\$66.25	\$79.75	\$39.95	\$16.26

Water and Sewer Base Rates

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

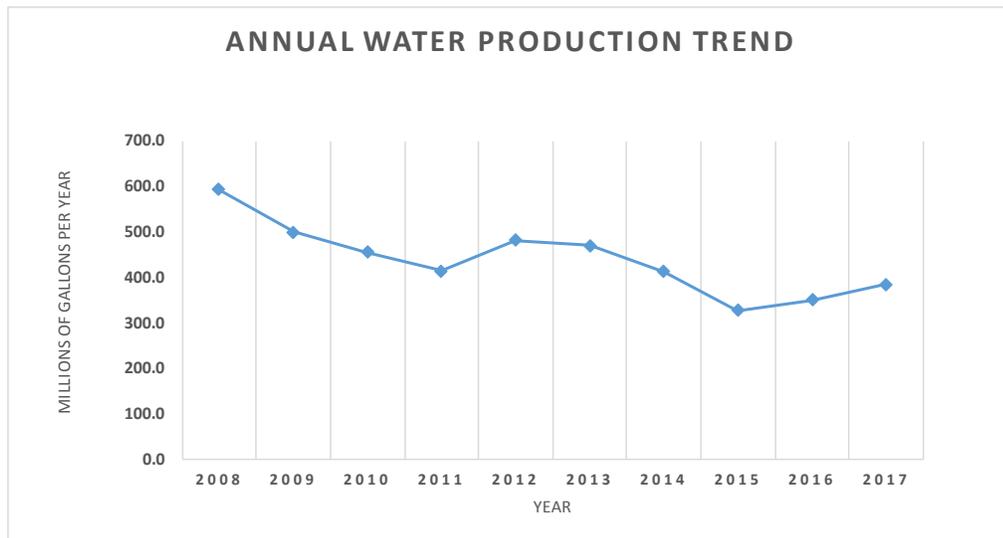
*Source: Tahoe City Public Utility District*

# Water Production

Tahoe City Public Utility District  
Water Production  
Last Ten Years  
(In million gallons)

Monthly Production	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Jan	28.6	26.8	26.0	24.0	22.5	26.8	19.2	21.3	19.0	23.3
Feb	23.7	20.4	21.3	18.9	15.4	17.8	16.4	14.2	15.9	21.9
Mar	22.8	19.2	21.6	16.7	15.0	16.5	13.7	12.6	12.5	18.1
April	21.5	17.6	15.6	15.3	14.3	17.7	16.8	15.0	12.9	16.1
May	64.8	50.8	24.3	23.3	50.1	42.7	38.2	26.3	20.0	17.5
June	78.3	56.5	47.5	38.3	64.9	66.1	57.7	37.8	42.9	47.4
July	115.4	98.3	95.2	85.9	95.0	78.1	72.3	53.0	62.8	68.7
Aug	91.9	75.3	74.8	70.6	73.1	79.8	63.6	51.5	60.3	64.3
Sept	68.1	63.6	60.9	56.9	55.2	49.5	56.4	42.1	48.7	51.3
Oct	41.3	35.0	35.5	34.4	41.2	41.5	31.9	26.6	29.9	31.4
Nov	16.3	15.1	15.9	14.2	16.2	12.9	14.2	12.7	12.1	12.8
Dec	20.8	22.9	17.8	17.2	19.7	21.4	13.4	16.0	14.8	14.2
<b>Annual Totals</b>	<b>593.5</b>	<b>501.5</b>	<b>456.5</b>	<b>415.8</b>	<b>482.7</b>	<b>470.8</b>	<b>413.7</b>	<b>329.1</b>	<b>351.8</b>	<b>386.8</b>
<b>Average Monthly Water Production</b>	<b>49.5</b>	<b>41.8</b>	<b>38.0</b>	<b>34.6</b>	<b>40.2</b>	<b>39.2</b>	<b>34.5</b>	<b>27.4</b>	<b>29.3</b>	<b>32.2</b>

Source: Tahoe City Public Utility District Water Department

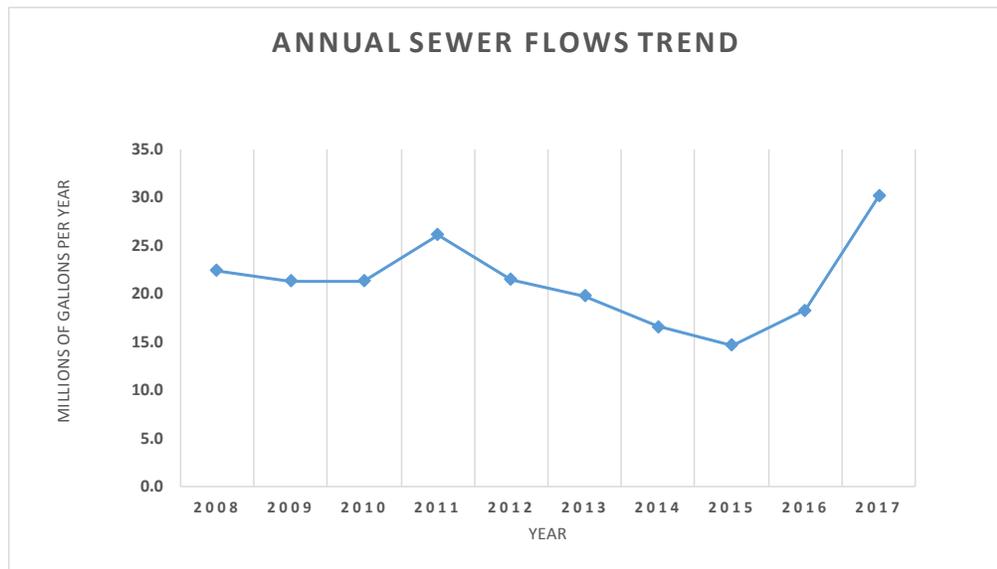


## Sewer Flows

Tahoe City Public Utility District  
Sewer Flows  
Last Ten Years  
(In million gallons)

Monthly Sewer Flows	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Jan	23.7	20.7	19.8	23.8	18.5	22.1	15.2	14.5	18.2	30.6
Feb	23.3	18.9	18.9	20.0	18.3	19.3	20.0	14.8	20.2	51.4
Mar	27.7	24.8	18.7	27.4	23.9	22.6	17.3	12.8	26.0	44.9
April	23.7	21.4	20.1	37.9	23.7	18.6	14.4	11.7	21.5	50.2
May	22.8	24.7	22.2	37.2	20.6	18.7	15.1	13.1	16.8	38.0
June	23.2	21.3	22.4	32.2	21.2	20.4	16.8	14.5	17.1	25.1
July	31.1	30.1	30.2	35.3	29.9	30.1	25.3	22.6	23.4	30.2
Aug	28.8	27.7	26.7	29.8	27.3	26.4	22.8	19.7	18.6	24.4
Sept	17.8	19.5	18.6	20.8	19.6	17.4	14.0	14.1	13.5	17.8
Oct	15.5	15.9	16.8	16.7	15.6	13.8	11.8	11.6	11.9	15.1
Nov	14.8	13.3	14.8	15.1	15.5	12.4	11.2	11.1	11.1	17.0
Dec	17.5	18.3	27.0	18.5	24.4	16.2	16.5	16.4	22.2	18.2
<b>Annual Totals</b>	<b>269.8</b>	<b>256.7</b>	<b>256.2</b>	<b>314.6</b>	<b>258.3</b>	<b>238.1</b>	<b>200.3</b>	<b>176.8</b>	<b>220.6</b>	<b>362.9</b>
<b>Average Monthly Sewer Flows</b>	<b>22.5</b>	<b>21.4</b>	<b>21.4</b>	<b>26.2</b>	<b>21.5</b>	<b>19.8</b>	<b>16.7</b>	<b>14.7</b>	<b>18.4</b>	<b>30.2</b>

Source: Tahoe City Public Utility Sewer Department



**Outstanding Debt by Debt Type**

	<b>Governmental Activities</b>								
	2017	2016	2015	2014	2013	2012	2011	2010	2009
General Obligation Bonds	\$ 1,382,705	\$ 1,735,848	\$ 2,076,980	\$ 2,406,555	\$ 2,761,765	\$ 3,283,910	\$ 3,928,430	\$ 4,550,341	\$ 5,150,480
Special assessment bonds with governmental commitments	\$ 25,026	\$ 37,539	\$ 50,052	\$ 62,566	\$ 75,079	\$ 87,592	\$ 100,105	\$ 112,618	\$ 125,131
Pension related debt	484,478	791,571	1,086,535	1,369,850	1,641,975	1,903,353	2,154,407	-	-
<b>Total long-term debt</b>	<b>\$ 1,892,209</b>	<b>\$ 2,564,958</b>	<b>\$ 3,213,567</b>	<b>\$ 3,838,971</b>	<b>\$ 4,478,819</b>	<b>\$ 5,274,855</b>	<b>\$ 6,182,942</b>	<b>\$ 4,662,959</b>	<b>\$ 5,275,611</b>

	<b>Business-type Activities</b>								
	2017	2016	2015	2014	2013	2012	2011	2010	2009
Special assessment bonds with governmental commitments	\$ 130,794	\$ 172,678	\$ 213,778	\$ 254,109	\$ 293,685	\$ 332,521	\$ 367,318	\$ 409,320	\$ 524,868
<b>Total long-term debt</b>	<b>\$ 130,794</b>	<b>\$ 172,678</b>	<b>\$ 213,778</b>	<b>\$ 254,109</b>	<b>\$ 293,685</b>	<b>\$ 332,521</b>	<b>\$ 367,318</b>	<b>\$ 409,320</b>	<b>\$ 524,868</b>

	<b>Total</b>								
	2017	2016	2015	2014	2013	2012	2011	2010	2009
General Obligation Bonds	\$ 1,382,705	\$ 1,735,848	\$ 2,076,980	\$ 2,406,555	\$ 2,761,765	\$ 3,283,910	\$ 3,928,430	\$ 4,550,341	\$ 5,150,480
Special assessment bonds with governmental commitments	\$ 155,820	\$ 210,217	\$ 263,830	\$ 316,675	\$ 368,764	\$ 420,113	\$ 467,423	\$ 521,938	\$ 649,999
Pension related debt	\$ 484,478	\$ 791,571	\$ 1,086,535	\$ 1,369,850	\$ 1,641,975	\$ 1,903,353	\$ 2,154,407	\$ -	\$ -
<b>Total long-term debt</b>	<b>\$ 2,023,003</b>	<b>\$ 2,737,636</b>	<b>\$ 3,427,345</b>	<b>\$ 4,093,080</b>	<b>\$ 4,772,504</b>	<b>\$ 5,607,376</b>	<b>\$ 6,550,260</b>	<b>\$ 5,072,279</b>	<b>\$ 5,800,479</b>

Outstanding Debt by Debt Type

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