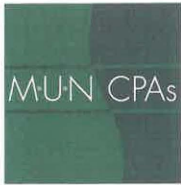

TAHOE CITY PUBLIC UTILITIES DISTRICT
Tahoe City, California

**INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES
TO TECHNICAL CONSULTANT SELECTION POLICY**

**FOR THE YEAR ENDED
DECEMBER 31, 2014**

MANN, URRUTIA, NELSON, CPAS & ASSOCIATES, LLP
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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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

We have performed the procedures enumerated below, which were agreed to by the Board of Directors of the Tahoe City Public Utility District (the District), solely to assist the District in connection with assessing the adequacy of the Technical Consultant Selection Policy and Procedure currently in place. This engagement to apply agreed-upon procedures was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board of Directors and management of the District. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The agreed-upon procedures performed and the related findings are as follows:

Procedures, Findings and Recommendation

1. We reviewed the Technical Consultant Selection Policy to gain an understanding of how the District selects outside engineering firms.

Findings: No exceptions or unusual items were noted as a result of our procedures.

2. We reviewed Correspondence between the District's outside legal counsel, and the California Attorney General's office, noting agreement between the background information and Technical Consultant Selection Policy.

Note: We reviewed the original correspondence between the District's outside legal counsel, and the California Attorney General's office relating to the conflict of interest provision. We noted that the most recent correspondence from the California Attorney General's office was dated December 31, 2008. The most recent request for opinion in 2010 was declined by the California Attorney General's office due to a technical reason; however past correspondence indicated agreement between the background information and Technical Consultant Selection Policy.

3. We reviewed the Technical Consultant Selection Committee minutes for consulting contracts for which Auerbach Engineering Corporation (Auerbach) was considered. Auerbach was identified because of the potential conflict in that the District's General Manager, Cindy Gustafson, became married to the owner of Auerbach in fiscal year 2008. The following procedures were performed to verify a process was in place to prevent any influence from the General Manager in the selection of Technical Consultants in relation to Auerbach. We performed the following procedures:
 - a. Confirmed that two Board members were present for the Technical Consultant Selection Committee meeting to obtain information on the selected consultants and to provide the Board of Directors a recommendation for the selection of a Consultant.
 - b. Confirmed District Engineer was present for the Technical Consultant Selection Committee meeting to provide input and expertise on the qualifications of the Consultants being selected.
 - c. Confirmed one District department manager is serving on the committee to provide unbiased position in the selection of a Consultant.
 - d. Read the Technical Consultant Selection Committee minutes as to how the candidate was selected.
 - e. Confirmed General Manager was not present at the Technical Consultant Selection Committee meeting.
 - f. Reviewed board minutes that General Manager was not present during Board of Directors selection of consultant.

Findings: No exceptions or unusual items were noted as a result of our procedures.

4. We reviewed all invoices from Auerbach Engineering Corporation that were paid during the period January 1, 2014 through December 31, 2014.
 - a. Verified that all invoices to Auerbach were within contract terms.
 - b. Verified that all invoices were reviewed and approved for payment by District Engineer and Accounting and Employee Services Director / Treasurer.

Findings: As a result of our procedures, we noted one invoice which pertained to general operating expenses rather than a capital project. As a result, this invoice was not approved by the District Engineer. Additionally, as expenses did not pertain to a capital project, there was no contract to support the expenditure.

5. Below is a list of the District's projects and payments made to Auerbach Engineering Corporation for fiscal year 2014:

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

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on specific elements, accounts or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is tended solely for the information and use of the specified users listed above and is not intended to be and should not be used by anyone other than those specified parties.



Mann, Urrutia, Nelson, CPAs and Associates, LLP
Sacramento, California
June 1, 2015