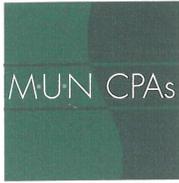

TAHOE CITY PUBLIC UTILITIES DISTRICT
Tahoe City, California

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

**FOR THE YEAR ENDED
DECEMBER 31, 2013**

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



**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.

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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

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 - 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: Our review of technical consultant board minutes indicated that the General Manager was present during one of the Technical Consultant Selection Committee meetings. After further procedures, we were able to substantiate the claim that the General Manager was not present, and that the minutes contained a clerical error. Although we do not consider this to be a finding for the purposes of these procedures; Management should establish procedures to verify the accuracy of minutes.

4. We reviewed all invoices from Auerbach Engineering Corporation that were paid during the period January 1, 2013 through December 31, 2013.
 - 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 two invoices were approved by the District Engineer but not approved by the Accounting and Employee Services Director / Treasurer.

5. Below is a list of the District's projects and payments made to Auerbach Engineering Corporation for fiscal year 2013:

<u>Project Name</u>	<u>Amount</u>
Chamberlands Drive Water Line	\$ 426
Four Seasons Tank Line Replacement	72,149
Grouse Dr. & Upper Ellis Road Water Line Replacement	42,457
Lake Forest Boat Ramp Rehabilitation	60,665
Lake Forest Water Improvement District	107,888
Lakeside Trail/ Station 51 Joint Wetland Mitigation Project	2,700
Lakeside Trail 5/6 Construction Services	8,124
Old Dollar PRV Line Replacements	7,004
Tahoe City Gold Course Future Planning Process	2,500
TCPUD Administrative Property BMP Compliance Design	315
Truckee River Trail Overlay	27,363
Woodhill Woodview Water Line Connection	<u>9,549</u>
Total	<u>\$ 341,140</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
 April 18, 2014

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