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*Partnering with the community
to conserve and save.*

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COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT

FISCAL YEAR ENDED JUNE 30, 2013

SOUTH TAHOE PUBLIC UTILITY DISTRICT

SOUTH LAKE TAHOE, CALIFORNIA



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COMPREHENSIVE
ANNUAL
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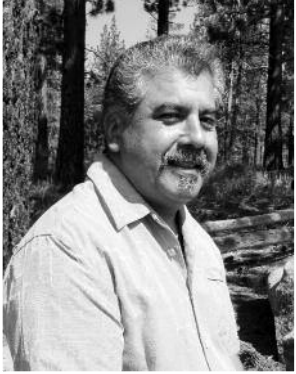
FISCAL YEAR ENDED JUNE 30,

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STPUD

Partnering with the community to conserve and save.

The Employee and Crew of the Year awards recognize District employees for excellent performance.



EMPLOYEE OF THE YEAR

Chris Moraida

Pump Crew Leadman



CREW OF THE YEAR

Alpine County

The storage and final disposition of the District's recycled water is managed by this department including planning and implementing irrigation improvement projects and maintaining the infrastructure at Diamond Valley Ranch in Alpine County.

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Strategic Plan

STRATEGIC PLAN VISION STATEMENT

Maintain a dynamic organization that can quickly and proactively meet an ever increasing environment of regulations and scarce resources.

STRATEGIC PLAN MISSION STATEMENT

Furnish District customers with reliable water and wastewater services, and provide those services safely, efficiently, and cost effectively.

STRATEGIC GOALS

Provide exemplary customer service.

Provide reliable and safe water distribution, wastewater collection and treatment, and recycled water land application systems.

Foster a culture of efficient water use in the South Lake Tahoe community and promote public awareness of all District activities and the value of District services.

Develop staff to ensure professionalism and continuity of organizational knowledge.

Continue to be outstanding financial stewards.

Provide a safe and harmonious work environment for District employees.

Maximize appropriate use of technology to improve operational efficiency and prioritize asset replacement.



BOARD OF DIRECTORS

From left to right: Eric Schafer, Kelly Sheehan, Jim Jones, Randy Vogelgesang, and Chris Cefalu

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to conserve and save.*





Members of the Board of Directors
South Tahoe Public Utility District

November 14, 2013

Directors:

The South Tahoe Public Utility District (the District) staff submits to you the Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2013. The CAFR gives an assessment of the District's financial condition, informs readers about District services, gives details of infrastructure replacement projects, discusses current issues, and provides financial and demographic trend information. This letter of transmittal is designed to complement Management's Discussion and Analysis and should be read in conjunction with it.

Grant Thornton, LLP, Certified Public Accountants, audits the District's financial statements. While the auditor's unqualified Report of Independent Certified Public Accountants appears in the financial section, the responsibility for the accuracy, completeness, and presentation of the CAFR information rests with management. Management believes the CAFR is complete and accurate in all material respects. Management can provide this assurance due to the comprehensive framework of internal controls within the organization. Internal controls are policies and procedures put in place to safeguard assets from misappropriation, to assure management authorizes all transactions, and to verify proper recording and reporting of transactions using Generally Accepted Accounting Principles.

District Overview

The South Tahoe Public Utility District, a public agency chartered in 1950, operates at the south shore of Lake Tahoe in El Dorado County. The District supplies drinking water and provides wastewater collection and treatment. The District recycles 100 percent of its wastewater to Alpine County where its application benefits agricultural land. In addition, the District recycles 100 percent of its biosolids with Bentley Agrowdynamics in Douglas County, Nevada. Lake Tahoe's seasonal tourism and the large number of parttime residents cause wide fluctuations in both daily water production and wastewater flows.

The District serves water to approximately 14,000 homes and businesses. Annual water production is nearly 2.5 billion gallons. Seventeen active wells, 21 water tanks, 16 booster stations, 23 pressure-reducing valves, and nearly 254 miles of water mainline make up the District's water system.

The sewage collection system consists of more than 314 miles of gravity collection lines, 22 miles of pressure force mains, and 42 lift stations, providing service to more than 18,100 homes and businesses. The wastewater treatment plant dry weather permitted capacity is 7.7 million gallons per day. The design and operation of the wastewater treatment plant makes it possible to achieve water quality that allows water and biosolids recycling. Each year the plant treats and exports more than 1.6 billion gallons of recycled water



WATER METERS

**Q: WHY IS THE STATE
REQUIRING THAT WATER
METERS BE INSTALLED?**

A: California has historically experienced significant periods of drought. These droughts have affected agriculture economies, among other negative effects statewide. The State of California has the legal authority to regulate water usage. The new State regulations are designed to allow consumers to monitor their own water use. This encourages people to conserve water while paying only for water actually used, and not paying a flat rate.

that meets high-reuse standards. Under provisions of the 1968 Porter-Cologne Water Quality Control Act, considered to be California's premier water quality legislation, the District transports the recycled water nearly 26 miles out of the Tahoe Basin to the District-owned and operated Harvey Place Dam and Reservoir. The recycled water facilities, known as the Diamond Valley Ranch (DVR), are near Woodfords, California, in neighboring Alpine County.

The District's state-certified laboratory performs more than 30,000 tests annually to monitor a variety of chemicals and microorganisms in the drinking water, wastewater treatment, and recycled water export systems. These tests on groundwater, surface water, and soils safeguard District customers and the environment.

Water is vital to our community. As part of providing a high-level of customer service, the District diligently alerts and educates customers on matters affecting their water supply and water quality. The District also provides all customers an annual Consumer Confidence Report (CCR) that easily explains critical drinking water information. Current and past CCR's are available on the District's web site at www.stpud.us.

Waterline Replacement Projects Top Water Infrastructure Project List

With passage of the Safe Drinking Water Act in 1974, the regulatory burden placed on small privately-owned water systems made compliance financially difficult. The District began to acquire these small systems

and integrated them into what has become the current water distribution system. Beginning in the early 1990's, the District has placed a high priority on replacement of this aging and undersized water supply infrastructure in order to adequately supply the necessary flow to meet the needs of the fire protection community.

For several consecutive years significant headway has been made, with federal funding support via the United States Forest Service Wildland Fire Management Account and the Lake Tahoe Community Fire Protection Partnership, to further enhance fire protection within the District's service area. This year two important waterline replacement projects dominated the District's water system improvements. Beginning in May 2013, the Sierra Tract Waterline Replacement Project installed approximately 3,540 lineal feet of new eight-inch waterline. In June work began on the State Streets Waterline Replacement Project. This project involved installation of approximately 2,300 lineal feet of new six-inch and 4,000 lineal feet of new eight-inch waterline. This project will continue during the summer of 2014 with the installation of an additional 12,000 lineal feet of six, eight and 12-inch waterline. Both projects replaced various sizes of undersized waterline and involved new water service installation to residences, water meter installation, and new fire hydrants. In addition, these projects will improve water quality, water quantity, and will enhance firefighting capability. The District is proud of

the partnerships we have developed within our communities in our efforts to be a proactive agency.

Meters – Complying With A State Mandate

LEGISLATION

On September 29, 2004, California Governor Schwarzenegger signed into law Assembly Bill 2752 authored by then Assembly Member Christine Kehoe. This bill was chaptered on the same day and is currently Chapter 884 of the California Code. The District sought a legislative exemption from the law, but was unsuccessful. Whether agreeing or disagreeing with water meters and water conservation, it is a reality in California. The law requires all water services billed at a metered rate so that bills reflect water consumed. Until 2010 when the District began installing meters, the South Tahoe Public Utility District historically charged residential customers a flat rate. The District currently has approximately 35% of its water customers metered and must meter the remaining 65% by the year 2025.

In addition to Assembly Bill 2572, there are three other pieces of California legislation that directly affect water meters and their timely installation. Assembly Bill 1420 requires compliance to the Best Management Practices of the California Urban Water Conservation Council. Water meters are an integral element of this law. Senate Bill X7-7 commonly referred to as the Comprehensive Water Package, is a far-

reaching package of water bills passed by the State Legislature in 2009. One of the most significant provisions of this package of laws is the “20 by 2020” water conservation requirements that mandates a 20% per capita water use reduction by year 2020, with interim goals set for 2015. Failure to comply eliminates the District from all California grant funding and low-interest State Revolving Fund (SRF) loan opportunities. The Urban Water Management Planning Act requires all public water agencies with 3,000 or more connections to submit to the Department of Water Resources (DWR) an Urban Water Management Plan every five years beginning in 1995. A significant portion of this document relates to water conservation and meeting the goals set by all of the above mentioned legislation.

FUNDING

Early on, the District knew that metering its entire water system would create a significant financial impact to its budget. It was estimated that the cost would be approximately \$25 million. The legislation allowed for water purveyors to recover the costs of meter installations from the customers. While some Districts have chosen to do this, the STPUD Board of Directors chose not to place this burden on its customers. Due to this decision, and limited funding sources, meter installations have not been the highest priority capital improvement project for the District. As discussed above, replacing old and undersized waterlines for



WATER METERS

Q: ARE WATER METERS INTENDED TO INCREASE WATER RATES?

A: No. Water meter installation is not designed to increase water rates. Our program is designed to be revenue neutral for the District as a whole. However, it may or may not be revenue neutral for individual customers, as that is determined by individual water use. Some consumers will actually pay less than the current flat water rates, while others who use water less carefully or have extensive landscaping, particularly turf, likely will pay more.



WATER METERS

Q: WHEN WILL MY METER BE INSTALLED?

A: The District is currently working on a long-term plan for the sequence of installation. If supplemental funding becomes available, that process will accelerate. During the next fiscal year the District Board of Directors will be discussing funding options and impacts. All residents will be notified with ample opportunity to ask questions and get additional information.

improved fire protection has been the priority of the District within the Water Fund. The Board's policy has been to install meters on waterlines as they are replaced, with grant funds if received, and with borrowed funds in the future if grant funding is not available. The District did receive approximately \$4 million of grant funding in 2010/11 and completed 2,500 meter installations. The inequity created by some customers being metered and billed for actual usage, while the majority is not, has caused the Board to recently revisit the policy. The Board will be exploring funding options and impacts to determine if they want to change the priority and accelerate meter installations. For more information on water meters, please visit the District's website at www.stpud.us/meter_facts.html.

Assisting Customers With The Transition

To help alleviate customer concerns of high water bills, and to help achieve the required 20% decrease in water production by the year 2020, the District has developed various water conservation programs. Water efficiency incentives, services, and resources are available to help residential and commercial customers use water wisely. Some of the programs available include water efficient appliance rebates, water-wise house calls, turf buy-back programs, and leak detection assistance.

The average family of four uses approximately 400 gallons of water every day, and on average approximately 70% of

that water is used indoors. Upon a customer request, a District water-efficiency expert will provide a water-wise house call to assess water usage and provide customized water saving tips. By participating in this program a customer is eligible for free water savings devices (toilet flapper valves, shower heads, faucet aerators) and water-efficient appliance rebates. Though funding is limited, customers are eligible for high-efficiency clothes washer, toilet, and hot water demand system rebates.

The turf buy-back program and leak detection assistance are two other potential water savings options for District customers. The District recognizes that lawn areas help to provide defensible space and play areas for children and pets, however, turf is one of the most water-intensive landscaping options. The turf buy-back program offers homeowners the opportunity to remove their lawn and replace it with Tahoe-friendly native or adaptive vegetation. Utilizing a grant from the California Department of Water Resources, the District offers a rebate of \$1.50 per square foot of turf removed, with a maximum rebate of \$3,000. For those customers with an unexplainable increase in the amount of their water usage, the District offers assistance in detecting leaks in their homes and/or irrigation systems. The District's administrative code allows for a service charge credit to be provided to customers after they have repaired the leak in their system. For more information on water conservation and District assistance available, please visit the District website at

www.stpud.us/water_conservation.html.

Local Economic Conditions

Lake Tahoe is recognized as a very popular vacation destination in the United States. In July 2012 Lake Tahoe was named the “Best Lake in America” in a recent readers’ poll by USA Today. This year Lake Tahoe was awarded the number one ski destination in the United States by TripAdvisor, Orbitz.com, and Rand McNally. Early heavy snowfall in December brought an increase of skiers to the area compared to the prior year. Vail Resorts which owns Heavenly Valley, Northstar and Kirkwood ski areas saw visitation climb 56.1 percent during the quarter ending January 31, 2013, compared to the same time period last year. There was very little new snow throughout the remaining winter months, but the cold temperatures allowed for increased snow-making. The lack of storms also helped keep the roads clear for skiers traveling to the area. Due to the statistics noted above through June 30, 2013, the end of the third quarter of their fiscal year, the City of South Lake Tahoe reported an increase of 31% in Transient Occupancy Tax and an increase of 8.5% in sales tax compared to June 30, 2012, collections. Although the figures for the summer months are not available at this time, business operators and officials reported a largely successful summer season. The Lake Tahoe Visitors Authority estimated that lodging was up 15 to 25 percent at one point during the summer, and

some restaurants even reported record-breaking weekends.

At year end, the unemployment rate in South Lake Tahoe was 11.4%, down from 14.2% a year ago and 16.5% two years ago. Hopefully this trend will continue. At the beginning of the year the City of South Lake Tahoe continued to experience financial difficulties and in September 2012 announced more layoffs and reserve spending for their 2012/13 budget. But, as the year progressed the City announced improvements in several General Fund revenue categories that were expected to eliminate a previously projected shortfall by year end. High unemployment, an uncertain economy, and the seasonal nature of jobs in the region continue to contribute to the low enrollment statistics for the Lake Tahoe Unified School District. Head counts were down 2,185 students (36%) from the peak for the 1996-97 school year. For the 2012/13 school year, enrollment is down slightly by 65 students, or 1.7%.

Expectations for the high school with its new and improved buildings, sports facilities, and career technical education are that it will draw families to Lake Tahoe. The California State budget crisis which has negatively impacted all local governments in the state for a number of years is also improving, which will hopefully create a positive trickle-down effect. Due to strong District management, wise Board of Directors’ decisions, cost-conscious staff, and a strong pursuit of grant funding and low-cost financing, the District has remained



WATER METERS

Q: HOW DOES METERED BILLING WORK?

A: Every consumer will pay a Meter Base Charge, lower than our current flat rate, and then an additional charge for water consumption. You will only be billed for the water you actually use. This system allows all consumers to monitor their own water use and save/conserve as they desire. Due to the seasonal nature of water use, most consumers will see lower bills in the winter months and higher bills during the summer, especially those with extensive landscaping.



WATER METERS

Q: WILL SOME DISTRICT CUSTOMERS BE BILLED ON A METERED RATE WHILE OTHERS CONTINUE PAYING A FLAT RATE?

A: Yes, until the system is fully metered. State law required all customers with meters pay a metered water rate by 2011. Because it will take a number of years for the District to install all the meters, some customers will be on metered rates and others on the flat rate until all installations are complete. The District Board of Directors understands this inequity and will be discussing financial options to accelerate meter installations.

financially strong and avoided staff layoffs or furloughs.

Several years have passed since construction stopped on a project near Stateline which would have brought retail space, condominiums, and a convention center to South Tahoe. Until this summer, this large mixed-use project, The Chateau at Heavenly Village, remained stalled with the Lake Tahoe Development Company, multiple creditors, the City of South Lake Tahoe, El Dorado County, and the bankruptcy court doing what they could to move forward with resolution. The largest creditor has stepped in and provided funding to start an initial phase of the project including street level retail development which will provide a much improved façade along Lake Tahoe Blvd. and a foundation for further development. During the year two large retail operators opened for business in previously vacant properties bringing many new jobs to the area.

The real estate market in South Lake Tahoe improved this year, which paralleled the California real estate trend. The median home price in June 2013 was \$284,000, up from \$235,000 in 2012 or 20.9%.

Enterprise Operations

The District finances sewer and water operations through user charges, property tax receipts, and other income. District service charge revenue is stable, since the majority of customers still pay flat rates for sewer and water services. Water

consumption fees currently represent only 6.1% of the District's 2013 revenue; therefore, fluctuations in actual usage do not materially impact operating income. Water consumption fees will become a larger portion of the District's revenues over the next 12 years as the District continues to install meters to comply with the state mandate requiring water systems to be completely metered by 2025.

Each year the District updates its Ten-Year Financial Plan to assess its long-term financial condition. A primary goal in carefully developing long-term financial plans is to minimize annual rate changes and to avert large rate fluctuations. On July 1, 2012, for fiscal year 2013 rates were increased by 5% and 2% for sewer and water services respectively. On July 1, 2013, both water and sewer rates were unchanged. The District evaluates rates annually and anticipates future overall increases of 4% per year. The District will continue to reassess rates as future circumstances dictate. Past studies have shown 38% of the District's sewer rates support the District's unique environmental mandate to export wastewater out of the Tahoe basin. Despite this heavy financial burden, District rates are comparable to average rates statewide and continue to be at or near the lowest in the Tahoe Basin.

For the first time in several years, connection fees received were greater than budget expectations due to the permitting of a large multi-family development project. Although fees recognized for residential

connections were also greater than expected, the District is forecasting cautiously for next several years. Most of the revenue recognized for residential connections was paid in prior years, with the actual physical connection made in fiscal year 2013. If the District sees a trend of increasing fees paid and recognized in the same year, the forecast may be revisited and adjusted. Most commercial projects continue to be postponed, delayed, or eliminated by developers, although the stalled convention center project near Stateline began an initial small phase storefront project this summer. Hopefully with a slowly improving economy this project will continue to progress and expand. The District Board of Directors continued to postpone scheduled increases to connection fees, and ultimately directed staff to permanently freeze the current fee levels hoping to attract more development to the area.

Even with the declining connection fee revenue, which is used for infrastructure replacement, the District has been able to move forward with several capital projects due to the receipt of grant funds, state program loans, and record-low tax exempt interest rates on borrowed funds. An active grant-seeking program is in place to bring in additional resources for both infrastructure and operations. In fiscal year 2013, more than \$1.6 million in new grants were awarded to the District following approximately \$1.0 million awarded in fiscal year 2012. During the year,

approximately \$3.3 million was invested in water and sewer infrastructure replacement. To further enhance the infrastructure planning process, the District is using advanced asset management technology. This database allows the District to predict asset failure and establishes optimal replacement schedules to achieve service goals.

Careful stewardship of financial resources, along with a focus on long-term financial planning, provides the District with a firm financial base. The District has shown its financial abilities in capably responding to the operational requirements of the water and sewer systems while responsibly investing in infrastructure replacement. The Board of Directors' policies carefully coordinate grant funding, reasonable rate increases, and prudent borrowing to meet the District's mission.

More information on the District's financial condition is in the Management's Discussion and Analysis located in the financial section.

Public Outreach

The District conducts regular Board Meetings that are open to the public. They are normally held bi-monthly on the first and third Thursday. The dates can be found within the Board of Directors section on the District website.

The District's website, which continues to be updated to be more informative, interactive, and easier to use, provides information about all of STPUD's activities.



WATER METERS

Q: SINCE METERS ARE MANDATED, IS THERE A WEBSITE I CAN VISIT TO HELP ME BEGIN WATER CONSERVATION NOW?

A: Yes. Please visit the District's website www.stpud.us for more information and water saving tips. You will find information on water efficient appliance rebates, turf buy-back programs, water-wise house calls, leak detection services and other ways to save water and reduce your bill.

Archived documents are also available there. The website can be found at www.stpud.us.

Tours of the wastewater treatment plant are held periodically for groups of school children and members of the public. These tours give background and insight into the challenges and costs of treating wastewater to comply with stringent federal, state, and local regulations.

Budgetary Controls

District staff works with the Board of Directors' Finance Committee to develop the annual budget. Staff presents the budget at public meetings before Board adoption. The budget serves as a management tool to set appropriate service rates and allocate available resources. Budgetary controls are set at the fund level.

Looking Forward To The Future

The continued success of the District's capital improvement programs, including complete replacement of the wastewater treatment plant within its useful lifespan and upsizing inadequate water lines, and its sound financial position did not occur without a forward thinking staff and Board of Directors. The District remains committed to the philosophy that responsible stewardship of all District resources should not be a burden shifted to future generations.

The very nature of infrastructure that has 50-plus years of useful life demands long-range planning that spans multiple decades rather than a five or ten year planning horizon. The Headworks Replacement Project represents the commitment the District has to its customers in the future. With record low tax-exempt interest rates and excellent credit ratings, the District was able to secure funding while limiting the impact to the rate payers in a time when many local government agencies have had to forego important projects like this one.



Sincerely,

Richard H. Solbrig
General Manager

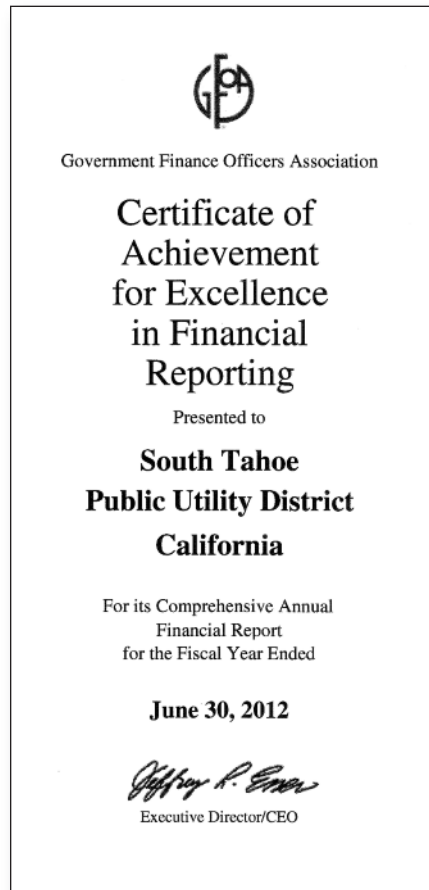
Paul Hughes
Chief Financial Officer

District Honors

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to South Tahoe Public Utility District for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2012. 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.



District Officials

Richard H. Solbrig
General Manager

Ivo Bergsohn
Hydrogeologist

Hal Bird
Land Application Manager

Tim Bledsoe
Customer Service Manager

Linda Brown
Purchasing Agent

Shannon Cotulla
Engineering Department Manager

Randy Curtis
Manager of Field Operations

Debbie Henderson
Accounting Manager

Paul Hughes
Chief Financial Officer

Nancy Hussmann
Human Resources Director

Ross Johnson
Manager of Plant Operations

Terry Powers
Laboratory Director

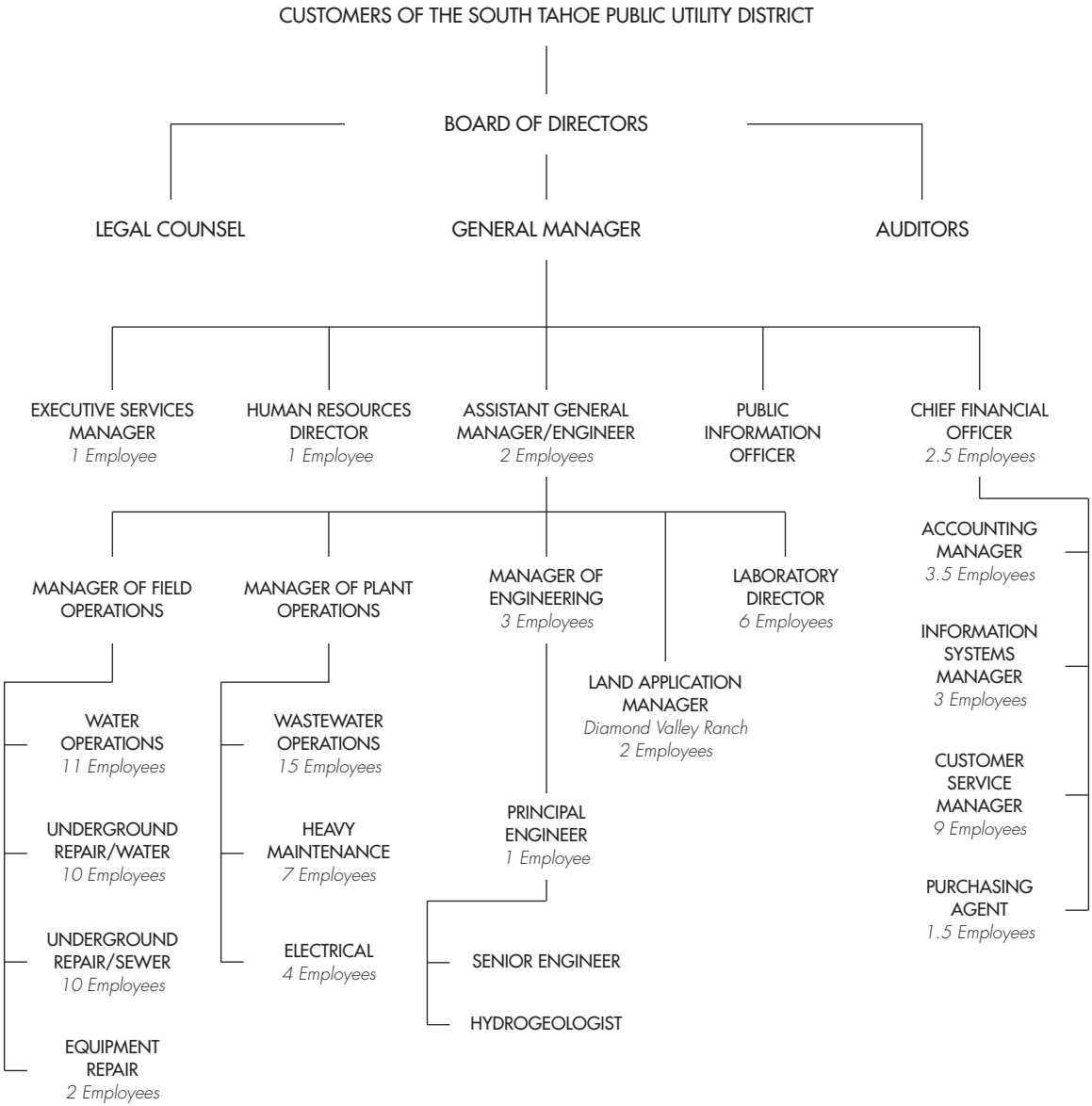
Julie Ryan
Senior Engineer

Paul Sciuto
Assistant General Manager/
Engineer

Kathy Sharp
Executive Services Manager

Carol Swain
Information Technology Manager

John Thiel
Principal Engineer



*Partnering with the community
to conserve and save.*



Report of Independent Certified Public Accountants

Board of Directors
South Tahoe Public Utility District
South Lake Tahoe, California

Report on the financial statements

We have audited the accompanying financial statements of the business-type activities of South Tahoe Public Utility District (the "District") as of and for the year ended June 30, 2013, 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 opinion 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 District'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 District'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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of June 30, 2013, and the respective changes in financial position, and 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

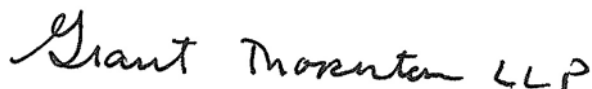
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 13 through 19 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required 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. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These limited procedures 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.

Report on 2012 summarized comparative information

We have previously audited the District's 2012 basic financial statements (not presented herein), and we expressed unmodified audit opinion on the respective basic financial statements in our report dated November 26, 2012. In our opinion, the accompanying summarized comparative information as of and for the year ended June 30, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other reporting required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report, November 14, 2013, on our consideration of the 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 the effectiveness of 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 District's internal control over financial reporting and compliance.



Reno, Nevada
November 14, 2013

S T P U D
Management's Discussion And Analysis
For The Year Ended June 30, 2013

Financial Highlights

The District has long been addressing the aging water system infrastructure, including undersized waterlines. A major water infrastructure replacement program was started in the early 90's, and since then more than \$67 million of infrastructure has been placed into service. With advances in asset management tools, the District now utilizes a strategic set of criteria to determine construction priorities. In fiscal year 2012-13, the District continued the replacement program, and a total of \$1.7 million was spent on waterline replacement and upsizing, booster station improvements, water storage facilities, and future planning. The following waterline projects were completed during the year, or are expected to be complete by fall 2013:

Project Area	Total Lineal Feet	Spent as of June 30, 2013	Estimate to Complete
Sierra Tract (S) Waterline	3,540	\$ 14,163	\$ 750,000
State Streets (A) Waterline	6,271	45,758	1,671,854
Wildwood Waterline	6,200	1,579,940	-
Bal Bijou	864	605,156	-

The waterline, pumping, and storage replacement program improves water quality, quantity, and fire suppression capabilities. As a public service, each waterline project also includes installation of fire hydrants at 500-foot intervals.

The District is continuing to install water meters on all service connections to meet the California state mandate, which requires all water providers with greater than 3,000 service connections be completely metered by 2025. During fiscal year 2010-11, the District completed installation of approximately 2,500 meters funded with a \$4.4 million grant. During fiscal year 2011-12, approximately 250 meters were installed at the District's expense with an additional 85 installations during 2012-13. This meter installation phase increased the portion of the water system metered to approximately 35%. The current District policy is to install meters on all waterlines replaced and additional installations when grant funds are received. During fiscal year 2013/14 the District Board of Directors is expected to revisit, and may amend, this policy in order to accelerate meter installations.

The District continues to expend funds for work related to Methyl Tertiary Butyl Ether (MTBE) contamination. To receive these funds the District went to trial against the manufacturers, refiners, and distributors of MTBE beginning in September 2001. The defendants settled with the District for \$69.1 million after the jury found them liable for the contamination, and further, that two of the defendants acted with malice. Settlement occurred in August 2002 before the jury's determination of compensatory and punitive damages. The District only settled when it believed the amount offered, less the litigation costs of \$28 million, was adequate to fully restore the water system. A District ordinance restricts the settlement money uses. Per the ordinance, the money must be used for MTBE-related costs such as well treatment, securing alternate potable water sources, and improving the distribution system. The remaining settlement funds of \$.4 million appear in the balance sheet shown as restricted cash and cash equivalents and restricted investments in the Water Enterprise Fund and are budgeted to be fully expended in 2013-14.

Management's Discussion And Analysis - continued
For The Year Ended June 30, 2013

Financial Highlights - Continued

The Sewer Enterprise Fund also continues investing in its infrastructure. In fiscal year 2012-13 \$1.6 million was invested in sewer infrastructure improvements. Scheduled for completion in the fall, the District continued working on the three-year project to replace the sewer treatment headworks at an estimated cost of \$14 million. The District is funding this project with reserves, a low-interest loan through the California State Water Resources Control Board State Revolving Fund program, and an additional installment agreement.

- Net position of the District increased \$.3 million or .1%.
- During the year more than \$3 million was invested in sewer and water infrastructure.
- The Sewer and Water Enterprise Funds' income is (\$729,393) and (\$244,681), respectively.
- Operating revenue is up 8.4% due to increases of 5.0% and 2% in sewer and water rates.
- Operating expenses are up 4.8% but came in 3.3% under budget.
- In fiscal year 2012-13, the District was awarded competitive grants totaling more than \$1.6 million, following more than \$1 million awarded in 2011-12. These grants will fund, among other things, waterline replacements, water pumping facilities, and water conservation programs.

Overview of the Basic Financial Statements

The District's basic financial statements are the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. An important part of the basic financial statements is the accompanying notes, which provide the users additional information required by generally accepted accounting principles (GAAP). Preceding the basic financial statements is Management's Discussion and Analysis, which is required supplementary information to the basic financial statements.

The Statement of Net Position includes the District's assets and liabilities. The difference between assets and liabilities is reported as net position. The Statement of Revenues, Expenses and Changes in Net Position account for revenue, expenses, and capital contributions and calculates the change in net position. Over time, increases or decreases in net position serve as a key indicator of the District's financial position. The Statement of Cash Flows provides the details on the changes in cash and cash equivalents during the year. By contrast, the Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position are prepared on an accrual basis, meaning revenues are recorded when earned and expenses are recorded when incurred regardless of the timing of cash receipts and payments.

Net Position

The condensed Statement of Net Position below shows the District is investing in capital assets while keeping its debt at manageable levels. Overall, the District's financial health is improving year-over-year as indicated by the increase in net position.

S T P U D

Management's Discussion And Analysis - continued For The Year Ended June 30, 2013

Overview of the Basic Financial Statements - Continued

Net Position - Continued

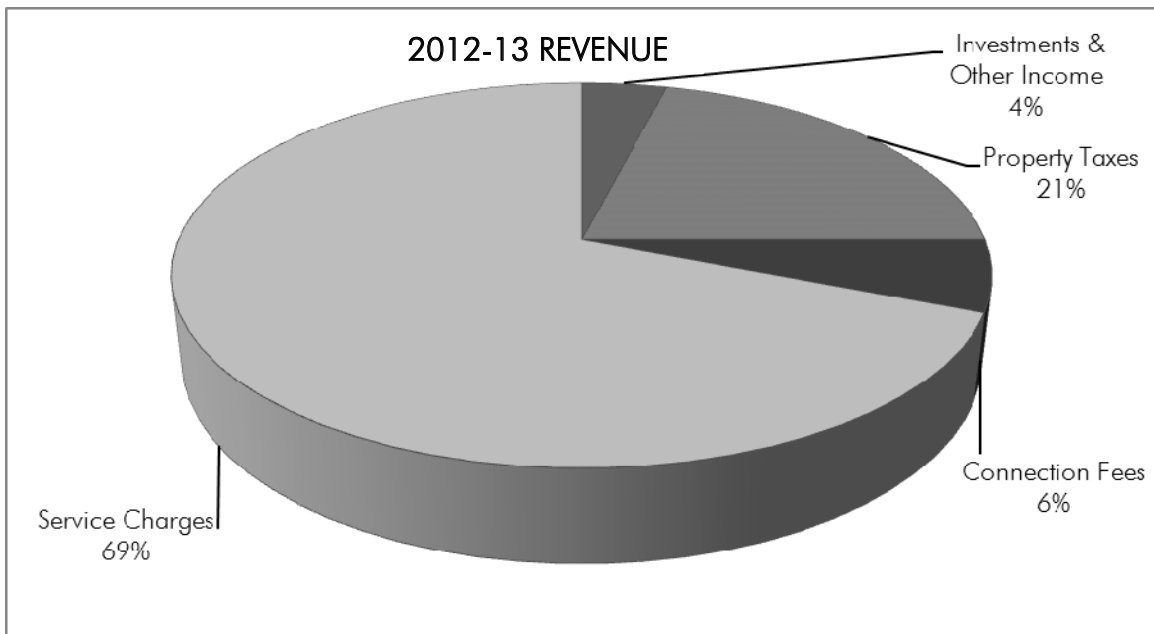
	<u>Net Position</u> (in thousands)			
	June 30,			
	<u>2013</u>	<u>2012</u>	<u>Change</u>	<u>Change</u>
Current and other	\$ 48,790	\$ 43,211	\$ 5,579	12.9%
Restricted MTBE settlement funds	380	473	(93)	(19.7%)
Capital assets	<u>203,340</u>	<u>204,408</u>	<u>(1,068)</u>	<u>(0.5%)</u>
Total assets	<u>\$ 252,510</u>	<u>\$ 248,092</u>	<u>\$ 4,651</u>	<u>1.9%</u>
Debt outstanding	\$ 38,634	\$ 33,687	\$ 4,947	14.7%
Other liabilities	<u>13,873</u>	<u>14,680</u>	<u>(807)</u>	<u>(5.5%)</u>
Total liabilities	<u>\$ 52,507</u>	<u>\$ 48,367</u>	<u>\$ 4,140</u>	<u>8.6%</u>
Invested in capital assets, net of related debt	\$ 171,826	\$ 171,744	\$ 82	-
Restricted for MTBE costs	380	473	(93)	(19.7%)
Restricted for security deposits	275	275	-	-
Restricted for capital asset purchases	7,120	-	7,120	100%
Unrestricted	<u>20,402</u>	<u>27,233</u>	<u>(6,831)</u>	<u>(25.1%)</u>
Total net position	<u>\$ 200,003</u>	<u>\$ 199,725</u>	<u>\$ 278</u>	<u>0.1%</u>

Revenue and Expenses

The District finances sewer and water operations through user charges, property tax receipts, and other income. Total revenue for fiscal year 2012-13 is \$28.9 million, a \$1.5 million or 5.3% increase from the prior year. The 2013 service charge revenue increase is \$908,000 or 4.8% more than the prior year, reflecting an increase of 5.0% in sewer rates and 2% in water rates. Connection fees are up \$747,000 or 75.8% due to the permitting of a large multi-family development project. Property tax revenue is up slightly at \$47,000 or .8%, compared to the prior year. El Dorado County estimates that property tax collections will be up approximately 1.3% for 2013-14 due to a slight increase in assessed values. Investment and other income is down compared to the prior year due to rate declines.

STPUD

Management's Discussion And Analysis - continued For The Year Ended June 30, 2013



Revenue and Expenses - Continued

Revenues (in thousands)

	June 30			
	2013	2012	Change	Change
Service charges	\$ 19,905	\$ 18,997	\$ 908	4.8%
Connection fees	1,733	986	747	75.8%
Other	396	342	54	15.8%
Total operating revenue	22,034	20,325	1,709	8.4%
Property taxes	6,168	6,121	47	0.8%
Investments	147	300	(153)	(51.0%)
Other	600	734	(134)	(18.3%)
Total non-operating revenue	6,915	7,155	(240)	(3.4%)
Total revenue	\$ 28,949	\$ 27,480	\$ 1,469	5.3%

Total operating expenses for the current year are \$28.5 million, up \$1.3 million from the prior year. Salaries and benefits are up \$.7 million or 4.9%. The District's policy is to capitalize labor associated with capital projects. The capitalized portion of salaries and benefits is not accounted for in operating expenses, as it is included in capital assets on the Statement of Net Position. The amount of capitalized labor for fiscal year 2013 was \$772,438 compared to \$981,774 in the prior year. When comparing salary and benefit totals year-to-year including the capitalized amounts, the 2013 increase from

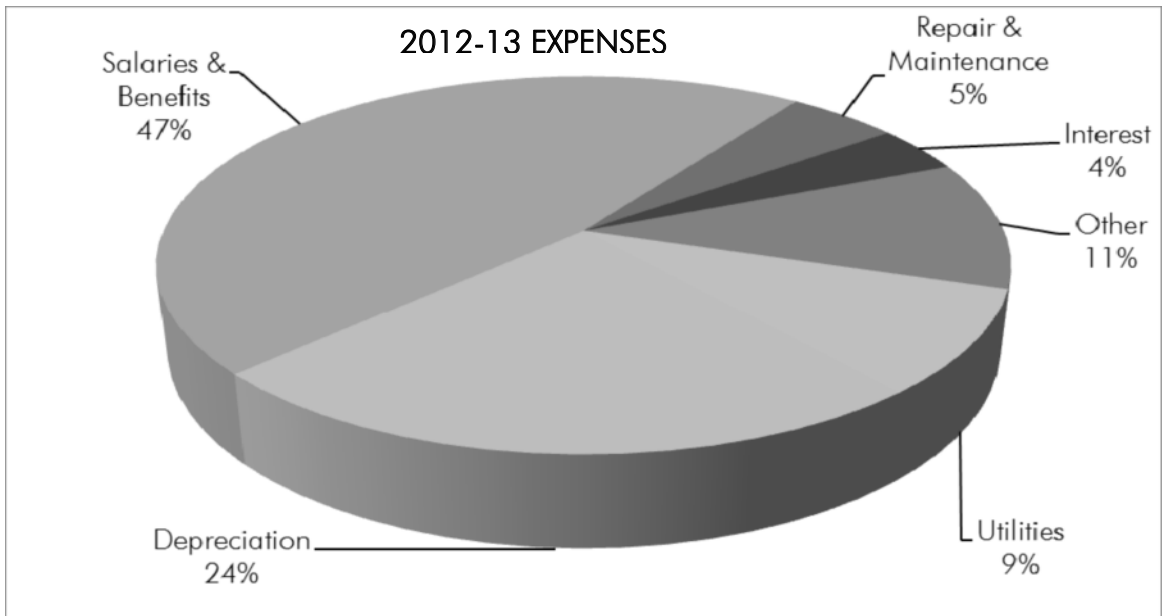
STPUD

Management's Discussion And Analysis - continued

For The Year Ended June 30, 2013

Revenue and Expenses - Continued

the prior year was \$444,000 or 3.1%. The increase was due to high utilization of the District's self-insured health plan during the first six months of the fiscal year. Beginning January 1, 2013, the District moved to a fully insured Blue Cross health plan which will create substantial savings compared to the self-insured plan. The increase in utility expenses is due to a rate increase implemented by the provider and higher utilization by the District. Depreciation and interest expense are up reflecting the continued investment in capital infrastructure.



Expenses (in thousands)

	June 30			
	2013	2012	Change	Change
<u>Operating expenses:</u>				
Salaries and benefits	\$ 14,042	\$ 13,389	\$ 653	4.9%
Depreciation	7,176	7,067	109	1.5%
Utilities	2,747	2,494	253	10.1%
Repair and maintenance	1,427	1,409	18	1.3%
Loss on disposal of assets	-	9	(9)	(100.0%)
Other	3,135	2,858	277	9.7%
Total operating expenses	28,527	27,226	1,301	4.8%
<u>Non-operating expenses:</u>				
Interest expense	1,165	1,098	67	6.1%
Other	231	221	10	4.5%
Total non-operating expenses	1,396	1,319	77	5.8%
Total expenses	\$ 29,923	\$ 28,545	\$ 1,378	4.8%

S T P U D

Management's Discussion And Analysis - continued

For The Year Ended June 30, 2013

Revenue and Expenses - Continued

The fiscal year 2012-13 income (loss) before capital contributions is (\$.9) million as compared to the budgeted income of (\$2.2) million and the actual prior year income of (\$1.1) million. Although income before contributions was a loss, capital contributions remained strong resulting in a positive change in net position of \$.3 million.

<u>Changes in Net Position</u> (in thousands)			
June 30			
	2013	2012	
			Change
			Change
Beginning net position	\$ 199,725	\$ 199,242	\$ 483
Loss before contributions	(974)	(1,064)	90
Capital contributions	1,252	1,547	(295)
Changes in net position	278	483	(205)
Ending net position	<u>\$ 200,003</u>	<u>\$ 199,725</u>	<u>\$ 278</u>
			<u>0.1%</u>

Capital Assets

The District's investment in its sewer and water systems is \$203 million at the end of the fiscal year net of depreciation. During the year, more than \$3 million was spent on new infrastructure, equipment, and land acquisition. \$1.7 million was spent on water system improvements. As noted in the highlights, new waterlines improve system reliability, water pressure, and fire flow capability. \$1.6 was invested in sewer system improvements including the ongoing replacement of the sewer treatment headworks which is scheduled for completion this fall 2013.

	Capital Assets (net of depreciation, in thousands)					
	Sewer		Water		Total	
	2013	2012	2013	2012	2013	2012
Land and easements	\$ 22,843	\$ 22,843	\$ 1,903	\$ 1,305	\$ 24,746	\$ 24,148
Water rights	-	-	1,668	1,668	1,668	1,668
Plant and equipment	78,200	80,194	78,338	77,636	156,538	157,830
Construction in progress	18,707	17,333	1,681	3,430	20,388	20,763
Total	\$119,750	\$120,370	\$ 83,590	\$ 84,039	\$203,340	\$204,409

For additional information on Capital Assets, see Note C in the Notes to Financial Statements.

Management's Discussion And Analysis - continued

For The Year Ended June 30, 2013

Debt Administration

The District prefers to avoid funding capital improvement projects with debt, but will do so when necessary to keep service rates at reasonable levels. Fitch Ratings affirmed the District's ratings of AA+ for both Water and Sewer Funds, while Standard and Poor's increased its rating for the Sewer Fund to AA from AA- and affirmed the Water Fund rating of AA-. These excellent ratings demonstrate the sound financial management of the District. At year-end, the District had \$38.6 million in bonds and notes outstanding as detailed below. The District refunded \$10.3 million of Sewer Certificates of Participation and an \$8.4 million 2007 Sewer Revenue Installment Sale Agreement in fiscal year 2012-13 at rates of 2.3% and 2.46% resulting in more than \$1.8 million savings in future interest expense. Also in 2012-13, the District borrowed \$10 million to refund a 1999 Water Fund Installment Sale Agreement, 2001 Water Revenue Refunding Bonds, and to complete various water projects while interest rates remain at record lows. As always, grant opportunities and low-interest subsidized loans are pursued by the District.

Outstanding Debt at Year End
(in thousands)

	June 30,	
	2013	2012
<u>Sewer Enterprise Fund:</u>		
Certificates of Participation (secured by sewer revenue)	\$ -	\$ 10,275
Installment Sale Agreement (secured by sewer revenue)	-	8,400
California State Revolving Loan Fund (secured by sewer revenue)	2,384	2,486
California State Revolving Loan Fund (secured by sewer revenue)	902	902
California State Revolving Loan Fund (secured by sewer revenue)	1,266	1,345
Installment Sale Agreement (secured by sewer revenue)	6,182	6,413
Installment Sale Agreement (secured by sewer revenue)	10,032	-
Loan Agreement (secured by sewer revenue)	8,040	-
	<u>28,806</u>	<u>29,821</u>
Total sewer enterprise fund		
<u>Water Enterprise Fund:</u>		
Revenue Bonds and Notes Payable (secured by water revenue)	-	2,076
Installment Sale Agreement (secured by water revenue)	-	1,790
Installment Sale Agreement (secured by water revenue)	9,827	-
	<u>9,827</u>	<u>3,866</u>
Total water enterprise fund		
	<u>9,827</u>	<u>3,866</u>
Total debt	<u><u>\$ 38,633</u></u>	<u><u>\$ 33,687</u></u>

For additional information on Outstanding Debt, see Note F in the Notes to the Combined Financial Statements.

Contacting the District's Financial Management

This financial report is designed to provide the District's elected officials, customers, investors, and creditors with an assessment of the District's financial condition and an accounting of the public's money. If you have questions about this report or need more financial information, contact the Chief Financial Officer, South Tahoe Public Utility District, 1275 Meadow Crest Drive, South Lake Tahoe, CA 96150.

STPUD

Statement Of Net Position

Proprietary Funds For The Year Ended June 30, 2013

(With Comparative Totals For June 30, 2012)

ASSETS	Business-type Activities		Total	
	Enterprise Funds		2013	2012
	Sewer	Water		
Current assets:				
Cash and cash equivalents	\$ 10,089,606	\$ 720,908	\$ 10,810,514	\$ 6,230,679
Investments	1,821,615	855,267	2,676,882	1,354,333
Accounts receivable, net of allowance for doubtful accounts	213,415	1,991,168	2,204,583	2,095,962
Due from governmental agencies	88,740	997,281	1,086,021	3,022,339
Property tax receivable	6,011,327	-	6,011,327	5,840,719
Other current assets	409,897	733,225	1,143,122	1,016,137
Total current assets	18,634,600	5,297,849	23,932,449	19,560,169
Noncurrent assets:				
Restricted assets:				
Cash and cash equivalents	464,168	7,036,268	7,500,436	473,264
Certificate of deposit	100,000	175,000	275,000	275,000
Total restricted assets	564,168	7,211,268	7,775,436	748,264
Long-term accounts receivable	436,664	-	436,664	803,556
Due from governmental agencies, net of allowance for doubtful accounts	87,942	87,942	175,884	153,648
Investments	11,401,192	5,346,900	16,748,092	22,139,961
Other deferred expenses	93,774	8,649	102,423	278,129
Capital assets	209,562,597	114,173,896	323,736,493	320,406,026
Less accumulated depreciation	(89,812,879)	(30,583,863)	(120,396,742)	(115,997,636)
Total capital assets	119,749,718	83,590,033	203,339,751	204,408,390
Total noncurrent assets	132,333,458	96,244,792	228,578,250	228,531,948
Total assets	\$ 150,968,058	\$ 101,542,641	\$ 252,510,699	\$ 248,092,117
LIABILITIES AND NET POSITION				
Current liabilities:				
Accounts payable	\$ 696,863	\$ 341,700	\$ 1,038,563	\$ 2,302,834
Unearned revenue	7,236,298	847,481	8,083,779	7,786,456
Accrued expenses	272,760	1,015,905	1,288,665	1,189,410
Accrued interest payable	277,551	55,489	333,040	402,578
Compensated absences - current	587,006	419,640	1,006,646	1,024,647
Long-term debt - current	1,712,797	1,575,767	3,288,564	2,343,162
Total current liabilities	10,783,275	4,255,982	15,039,257	15,049,087
Noncurrent liabilities:				
Compensated absences	1,255,628	866,909	2,122,537	1,973,396
Long-term debt	27,093,491	8,251,698	35,345,189	31,344,162
Total noncurrent liabilities	28,349,119	9,118,607	37,467,726	33,317,558
Total liabilities	39,132,394	13,374,589	52,506,983	48,366,645
Net position:				
Invested in capital assets, net of related debt	91,407,598	80,418,515	171,826,113	171,743,660
Restricted for MTBE costs	-	380,322	380,322	473,264
Restricted for security deposits	100,000	175,000	275,000	275,000
Restricted for capital asset purchases	464,168	6,655,946	7,120,114	-
Unrestricted	19,863,898	538,269	20,402,167	27,233,548
Total net position	111,835,664	88,168,052	200,003,716	199,725,472
Total liabilities and net position	\$ 150,968,058	\$ 101,542,641	\$ 252,510,699	\$ 248,092,117

The accompanying notes are an integral part of this statement.

S T P U D

Statement Of Revenues, Expenses And Changes In Net Position

Proprietary Funds For The Year Ended June 30, 2013

(With Comparative Totals For June 30, 2012)

	Business-type Activities			
	Enterprise Funds		Total	
	Sewer	Water	2013	2012
Operating revenues:				
Charges for sales and services:				
Service charges	\$ 10,590,758	\$ 9,314,346	\$ 19,905,104	\$ 18,996,769
Connection and service fees	797,456	935,468	1,732,924	985,935
Other operating income	200,217	196,387	396,604	342,608
Total operating revenues	11,588,431	10,446,201	22,034,632	20,325,312
Operating expenses:				
Salaries, wages and employee benefits	8,592,366	5,449,557	14,041,923	13,388,830
Depreciation and amortization	4,395,302	2,780,621	7,175,923	7,067,228
Utilities	2,002,727	743,914	2,746,641	2,494,186
Repairs and maintenance	657,234	770,364	1,427,598	1,408,910
Other operating expenses	1,858,934	1,276,424	3,135,358	2,867,048
Total operating expenses	17,506,563	11,020,880	28,527,443	27,226,202
Operating loss	(5,918,132)	(574,679)	(6,492,811)	(6,900,890)
Nonoperating revenues (expenses):				
Tax revenue	6,140,902	26,898	6,167,800	6,120,827
Investment earnings	122,402	24,235	146,637	300,142
Aid from (refund to) governmental agencies	40,678	276,814	317,492	483,547
Other nonoperating income	50,574	232,007	282,581	250,967
Interest expense	(973,912)	(191,182)	(1,165,094)	(1,097,536)
Other expense	(191,905)	(38,774)	(230,679)	(221,384)
Total nonoperating revenues	5,188,739	329,998	5,518,737	5,836,563
Loss before contributions	(729,393)	(244,681)	(974,074)	(1,064,327)
Capital contributions	78,052	1,174,266	1,252,318	1,547,745
INCREASE (DECREASE) IN NET POSITION	(651,341)	929,585	278,244	483,418
Net position at beginning of year	112,487,005	87,238,467	199,725,472	199,242,054
Net position at end of year	\$ 111,835,664	\$ 88,168,052	\$ 200,003,716	\$ 199,725,472

The accompanying notes are an integral part of this statement.

S T P U D

Statement Of Cash Flows

Proprietary Funds For The Year Ended June 30, 2013

(With Comparative Totals For June 30, 2012)

	Business-type Activities		Total	
	Enterprise Funds		2013	2012
	Sewer	Water		
Cash flows from operating activities:				
Cash received from customers	\$ 13,255,928	\$ 8,937,694	\$ 22,193,622	\$ 20,214,392
Other income	200,217	196,387	396,604	342,608
Cash paid to employees for services	(8,544,141)	(5,366,642)	(13,910,783)	(13,417,010)
Cash paid to suppliers	(4,653,896)	(2,387,569)	(7,041,465)	(6,983,247)
Cash provided by operating activities	258,108	1,379,870	1,637,978	156,743
Cash flows from non-capital financing activities:				
Tax revenue	5,970,294	26,898	5,997,192	6,174,402
Payments (to) from governmental agencies	1,230,345	1,070,304	2,300,649	(62,942)
Cash provided by non-capital financing activities	7,200,639	1,097,202	8,297,841	6,111,460
Cash flows from capital and related financing activities:				
Purchase of capital assets	(4,890,225)	(2,813,298)	(7,703,523)	(15,188,003)
Repayment of debt	(19,484,340)	(3,915,231)	(23,399,571)	(2,134,728)
Proceeds from issuance of debt	18,469,068	9,827,465	28,296,533	7,994,384
Interest (paid) credited on notes payable	(801,736)	(188,790)	(990,526)	(1,065,184)
Contributed capital	78,052	1,174,266	1,252,318	1,168,466
Cash provided by (used in) capital and related financing activities	(6,629,181)	4,084,412	(2,544,769)	(9,225,065)
Cash flows from investing activities:				
Interest and dividends on investments	214,421	62,220	276,641	501,431
Purchase of investments	(9,295,084)	(4,690,600)	(13,985,684)	(24,672,940)
Proceeds from sale of investments	12,896,150	5,028,850	17,925,000	23,673,470
Cash provided by (used in) investing activities	3,815,487	400,470	4,215,957	(498,039)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,645,053	6,961,954	11,607,007	(3,454,901)
Cash and cash equivalents, beginning (including \$473,264 reported in restricted assets for water)	5,908,721	795,222	6,703,943	10,158,844
Cash and cash equivalents, ending (including \$464,168 and \$7,036,268 reported in restricted assets for sewer and water, respectively)	\$ 10,553,774	\$ 7,757,176	\$ 18,310,950	\$ 6,703,943

S T P U D

Statement Of Cash Flows - continued

Proprietary Funds For The Year Ended June 30, 2013

(With Comparative Totals For June 30, 2012)

	Business-type Activities		Total	
	Enterprise Funds			
	Sewer	Water	2013	2012
Reconciliation of operating loss to cash				
provided by operating activities:				
Operating loss	\$ (5,918,132)	\$ (574,679)	\$ (6,492,811)	\$ (6,900,890)
Adjustments to reconcile operating loss to				
cash provided by operating activities:				
Depreciation and amortization	4,395,302	2,780,621	7,175,923	7,067,228
Loss on disposal	-	-	-	9,418
(Increase) decrease in accounts receivable	1,141,402	(883,131)	258,271	(199,189)
(Increase) decrease in other assets	(31,287)	(95,700)	(126,987)	84,658
Increase (decrease) in accounts payable	217,922	77,942	295,864	(306,805)
Increase (decrease) in unearned revenue	726,312	(428,989)	297,323	430,877
Increase (decrease) in other payables	(273,411)	503,806	230,395	(28,554)
Cash provided by operating activities	<u>\$ 258,108</u>	<u>\$ 1,379,870</u>	<u>\$ 1,637,978</u>	<u>\$ 156,743</u>
Non-cash capital and related financing activities:				
Capital assets included in accounts payable	<u>\$ 117,916</u>	<u>\$ 103,514</u>	<u>\$ 221,430</u>	<u>\$ 1,781,565</u>
Disposal of capital assets	<u>\$ 5,549</u>	<u>\$ 9,755</u>	<u>\$ 15,304</u>	<u>\$ 939,569</u>
Non-cash investing activities:				
Decrease in fair value of investments	<u>\$ 92,019</u>	<u>\$ 37,985</u>	<u>\$ 130,004</u>	<u>\$ 153,683</u>

The accompanying notes are an integral part of this statement.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting principles of South Tahoe Public Utility District (the "District") conform to generally accepted accounting principles applicable to governmental-type organizations. The following is a summary of the District's significant accounting policies:

1. Reporting Entity

For financial reporting purposes, the District includes all funds that are controlled by or dependent on the District's Board of Directors. Management has determined the District to be a single reporting entity for financial reporting purposes by applying the criteria set forth in Statement of Governmental Accounting Standards No. 14, The Financial Reporting Entity. This criteria requires the reporting entity to have a separate elected governing body, that it be a legal separate entity and fiscally independent.

Based on the foregoing criteria, the following funds are included in the District's annual report and are combined for financial reporting purposes:

- Sewer Enterprise Fund
- Water Enterprise Fund

2. Basis of Accounting

The financial records of the District are maintained on the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and become measurable; expenses are recognized in the period incurred.

3. Budget

The District develops and adopts an annual budget; however, this budget is a management tool and is not a legal requirement.

4. Cash and Cash Equivalents

The District considers cash and all highly liquid debt instruments with original maturities of three months or less to be cash equivalents. The District's cash and cash equivalents consist of cash, deposits in financial institutions, money market accounts, certificates of deposit and pooled investments. Cash and cash equivalents, invested for specific requirements such as deposits for construction projects, are segregated as restricted cash and cash equivalents.

Deposits of cash and cash equivalents must comply with the District's Investment Policy which complies with the California Government Code. The policy requires deposits in financial institutions to be FDIC insured or fully collateralized.

5. Investments

Investments consist of unrestricted and restricted federal agency notes, corporate notes and commercial paper. The District records its investments at fair value. Changes in fair value are reported as investment income in the statement of revenues, expenses and changes in net position.

The Chief Financial Officer invests monies not required for the immediate operations of the District, in accordance with the District's Investment Policy.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

6. Reserves

The District uses the term "reserves" to refer to all cash and investments belonging to the District at any given time. The District's policy is to have reserves to adequately provide for infrastructure replacement, economic uncertainties, loss of revenue sources, local disasters and catastrophic events, cash flow requirements and unfunded mandates (i.e. new regulatory requirements). In addition, adequate reserves are an essential part of sound financial management and reflect positively on the District's credit standing. Reserves are based on management's estimates for the cash needs of the District and estimates may vary from actual.

The Reserve Policy adopted by the Board of Directors establishes the minimum and maximum amount of reserves for operations, capital, self-insurance and rate stabilization and when to use reserves.

7. Capital Assets

Capital assets are recorded at cost except in those cases where facilities are donated by private developers or special assessment districts. In the latter cases, assets are recorded at fair market value. Assets are capitalized when they are expected to have useful lives three years or greater and the original cost is more than \$5,000. All depreciation is computed on the straight-line method over the following useful lives:

	<u>Years</u>
<u>Sewer Enterprise</u>	
Subsurface lines	10-70
Sewage collection facilities	5-40
Sewage treatment	3-40
Sewage disposal	5-100
General plant and administration	3-50
<u>Water Enterprise</u>	
Source of supply	10-40
Pumping plant	12-30
Water treatment plant	4-35
Transmission and distribution	20-74
General plant	3-20

8. Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation and sick leave, which will be paid to employees upon separation from the District's service. For employees hired after January 1, 2013, earned but unused sick time will not be paid upon separation from the District's services. The cost of vacation and sick leave is recorded in the period accrued.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

9. Pension Plan

The California Public Employees Retirement System (PERS) values assets using a smoothing technique. PERS determines the expected value of assets (using the assumed actuarial rate of return) and adds one-fifteenth of the difference between the actual market value of assets and the expected value of assets to equal the asset valuation. In addition, the value of assets will not be less than 80% or greater than 120% of the actual market value of assets. The PERS actuarial methodology serves to diminish short-term market value fluctuations on employer contribution rates. In June 2009, the CalPERS Board adopted changes to the asset smoothing method in order to phase in over a three year period the impact of the -24% investment loss experienced by CalPERS in the fiscal year 2008-2009. The following changes were adopted:

- Increase the corridor limits for the actuarial value of assets from 80%-120% of market value to 60%-140% of market value on June 30, 2009
- Reduce the corridor limits for the actuarial value of assets to 70%-130% of market value on June 30, 2010
- Return to the 80%-120% of market value corridor limits for the actuarial value of assets on June 30, 2011 and thereafter

10. Self-Insurance

Health self-insurance liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on complex factors, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, other significant allocated or unallocated claim adjustment expenses, the frequency of claims, and other economic and social factors. The unpaid claims and claim adjustment expenses liability is included in accrued expenses.

11. Capital Contributions

Capital contributions are grant monies received from the federal and state government in aid of construction, and assets contributed by Special Assessment Districts or real estate developers.

12. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

13. Operating and Non-operating Revenues and Expenses

Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the principal ongoing operations of sewer and water services. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

14. Restricted Resources

The District's policy is to first apply restricted resources when an expense is incurred for purposes which both restricted and unrestricted net position are available.

15. Comparative Data

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. This data reflects certain reclassifications that conform to classifications in the current year and have no effect on net position.

16. New Accounting Pronouncements

In June 2011, Governmental Accounting Standards Board (GASB) issued Statement No. 62, Codification of Accounting and Financial Reporting Guidance contained in pre-November 30, 1989 FASB and AICPA Pronouncements. This statement incorporated into GASB's authoritative literature certain accounting and financial reporting guidance included in the pronouncements of the FASB and American Institute of Certified Public Accountants (AICPA). This statement also superseded GASB Statement No. 20, and eliminated the election to apply post November 30, 1989 FASB pronouncements. The District adopted this guidance, and it is reflected in the financial statements for the year ended June 30, 2013.

In June 2011, the GASB issued authoritative guidance related to financial reporting for deferred outflows of resources and deferred inflows of resources. This Statement, GASB 63, Financial Reporting of Deferred Outflows of resources, Deferred Inflows of resources, and Net Position, establishes accounting and financial reporting standards that standardize the presentation of deferred outflows of resources and deferred inflows of resources and their effect on a government's net position. The District adopted this guidance, and changes are reflected in the financial statements for the year ended June 30, 2013.

Notes To The Financial Statements - continued

June 30, 2013

NOTE B - CASH AND INVESTMENTS

Cash and investments as of June 30, 2013 consist of the following:

Cash and cash equivalents:

Unrestricted:

Cash on hand	\$ 2,250
Unrestricted deposits in financial institutions	1,934,939
Deposits in El Dorado County Treasury	342,900
Deposits in California Asset Management Program (CAMP)	98,149
Deposits in Local Agency Investment Fund (LAIF)	8,432,276
	<u>10,810,514</u>

Restricted:

Deposits in LAIF	380,322
Deposits CAMP	464,168
Restricted deposits in financial institutions	6,655,946
	<u>7,500,436</u>

Investments:

Unrestricted:

Agency notes	13,657,233
Corporate notes	4,770,791
Certificates of deposit	497,585
Commercial paper	499,365
	<u>19,424,974</u>

Restricted:

Certificates of deposit	<u>275,000</u>
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Total cash and investments	<u>\$ 38,010,924</u>
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1. Investments Authorized by the District's Investment Policy

The table below identifies investment types authorized by the District's Investment Policy. The table also identifies certain provisions of the District's Investment Policy that address interest rate risk, credit risk and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum % of Portfolio	Maximum in One Issue
U.S. Treasury obligations	5 years	None	None
Federal agency and instrumentalities			
Callable	5 years	25%	None
Mortgage-backed pass-through and collateralized mortgage obligations	5 years	20%	None
Other	5 years	None	None
U.S. corporate debt	3 years	30%	10%
Negotiable certificates of deposit	5 years	30%	10%
Commercial paper	270 days	25%	10%
Bank deposits	N/A	20%	10%
Bankers' acceptances	180 days	40%	10%
LAIF	N/A	None	None
CAMP	N/A	None	None
Money market funds	N/A	20%	10%
El Dorado County pool	N/A	None	None

NOTE B - CASH AND INVESTMENTS - Continued

2. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One way the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities. A portion of the portfolio is always maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for the District's operations and capital improvement program.

In addition, the Investment Policy limits purchase of securities to those with maturities of five years or less. Longer investments require prior authorization of the Board of Directors. Certain investments that are highly sensitive to interest rate fluctuations are prohibited by the Investment Policy.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

Investment Type	Investment Maturities (in years)			
	Fair Value	Less than 1	1-2	3-5
Cash and deposits	\$ 9,365,720	\$ 8,828,135	\$ 537,585	\$ -
Pooled investment funds	9,717,815	9,717,815	-	-
Agency notes	13,657,233	1,336,701	5,062,182	7,258,350
Corporate notes	4,770,791	840,812	2,015,528	1,914,451
Commercial paper	499,365	499,365	-	-
	<u>\$ 38,010,924</u>	<u>\$ 21,222,828</u>	<u>\$ 7,615,295</u>	<u>\$ 9,172,801</u>

As provided in the Investment Policy, the District should target a maximum allocation of 25% to callable Federal agency securities.

3. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of year end for each investment type.

Investment Type	Rating as of Year End						
	AA+	A-1	A	AA-	A+	A-	Not Rated
		\$ -					
Cash and deposits	\$ -		\$ -	\$497,585	\$ -	\$ -	\$ 8,868,135
Pooled investment Funds	-	-	-	-	-	-	9,717,815
Agency notes	13,657,233	-	-	-	-	-	-
Corporate notes	962,909	-	2,075,971	489,669	1,093,281	148,961	-
Commercial paper	-	499,365	-	-	-	-	-
	<u>\$14,620,142</u>	<u>\$499,365</u>	<u>\$2,075,971</u>	<u>\$987,254</u>	<u>\$1,093,281</u>	<u>\$148,961</u>	<u>\$18,585,950</u>

NOTE B - CASH AND INVESTMENTS - Continued

4. Concentration Risk

Concentration risk is the risk of loss attributed to the magnitude of an investor's investment in a single issuer. To limit concentration risk, the District places a 10% limit on investments in any one non-governmental issuer. Investments exceeding 5% of the total investments, excluding external investment pools, are Federal National Mortgage Association notes, 15%; Federal Home Loan Mortgage Corporation, 14%, and U.S. Treasury 42%.

5. Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the depositor will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The District's Investment Policy requires the financial institution to either collateralize the deposits or cover them with Federal deposit insurance. The District's cash and deposits, totaling \$8,765,406 as of June 30, 2013, in financial institutions are secured by federal depository insurance for \$785,099 with the remainder covered by collateral held by an agent of the pledging bank in the District's name.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the investor will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. To eliminate investment custodial credit risk, the District's Investment Policy requires that all cash and securities in the District's portfolio be held in safekeeping in the District's name by a third party bank trust department, acting as agent for the District, under the terms of a custody agreement.

6. Pooled Investment Funds

Pooled investment funds consist of cash deposited in the interest-bearing El Dorado County Treasurer's Pooled Surplus Investment Fund, LAIF, and CAMP.

The fair value of the pooled investments deposited in the El Dorado County Treasurer's Pooled Surplus Investment Fund and CAMP are equal to the value of the pool shares, and the fair value of the pooled investments deposited in the California state pool is greater than the fair value of the pool shares.

The District's deposits are maintained in recognized pooled investment funds under the care of oversight agencies. The El Dorado County Treasurer's Investment Fund has a Treasury Policy Oversight Committee in addition to annual audits. The LAIF in addition to being part of a Pooled Money Investment Account with oversight provided by the Pooled Money Investment Board and an in-house Investment Committee also has oversight by the Local Agency Investment Advisory Board. The CAMP is a trust under the oversight of the CAMP Board of Trustees.

Because the District's deposits are maintained in recognized pooled investment funds under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits is required. The District's deposits in the Funds are considered to be highly liquid. The El Dorado County Treasurer, LAIF, and CAMP representatives have indicated there are no derivatives in the pools as of June 2013. LAIF does invest in structured notes and asset-based securities.

Notes To The Financial Statements - continued

June 30, 2013

NOTE C - CAPITAL ASSETS

The summary of the changes in capital assets is as follows:

	July 1, 2012	Additions	Deletions	June 30, 2013
<u>Capital assets not being depreciated:</u>				
Land and easement	\$ 24,147,829	\$ 597,798	\$ -	\$ 24,745,627
Water rights	1,668,308	-	-	1,668,308
Construction in progress	<u>20,762,757</u>	<u>3,824,362</u>	<u>(4,199,104)</u>	<u>20,388,015</u>
Total capital assets not being depreciated	<u>46,578,894</u>	<u>4,422,160</u>	<u>(4,199,104)</u>	<u>46,801,950</u>
<u>Capital assets being depreciated:</u>				
Plant and equipment	273,827,132	5,899,533	(2,792,122)	276,934,543
Less: Accumulated Depreciation	<u>(115,997,636)</u>	<u>(7,185,923)</u>	<u>2,786,817</u>	<u>(120,396,742)</u>
Total capital assets being depreciated, net	<u>157,829,496</u>	<u>(1,286,390)</u>	<u>(5,305)</u>	<u>156,537,801</u>
Capital assets, net	<u>\$204,408,390</u>	<u>\$ 3,135,770</u>	<u>\$ (4,204,409)</u>	<u>\$203,339,751</u>

Depreciation expense for the year ended June 30, 2013 totaled \$7,185,923.

Construction in progress as of June 30, 2013 consisted of the following:

Alpine County Master Plan	\$ 1,295,525
BMP Projects, Sewer	188,008
BMP Projects, Water	242,778
Cathodic Protection	506,267
C-Line Energy Generation	150,132
C-line Evaluation	130,612
C-Line Re-route	236,334
Collection System Master Plan	788,756
Concrete Coating	196,025
DVR Emergency Storage Basin	146,188
DVR Irrigation Improvements	1,111,820
DVR Environmental Impact Report	769,991
DVR Nutrient Mgmt.	84,867
Erosion Control, Trout Creek-Stateline	405,199
Headworks Improvement Project	12,705,423
LIMS Software	125,117
Water System Optimization Plan	407,515
Waterline, Pioneer	191,794
Waterline, Stateline	101,504
Wildwood Interceptor	294,168
Other	<u>309,992</u>
	<u>\$ 20,388,015</u>

NOTE D - ACCOUNTS RECEIVABLE AND AMOUNT DUE FROM GOVERNMENTAL AGENCIES

Short-term receivable at June 30, 2013 consists of the following:

	Sewer	Water
Customer receivables	\$ 155,596	\$ 995,504
Due from Federal Government	668	468,207
Due from State Government	46,940	529,074
Due from El Dorado County	41,132	141,563
Other receivables	89,302	882,170
	<u>333,638</u>	<u>3,016,518</u>
Allowance for doubtful accounts	<u>(31,483)</u>	<u>(28,069)</u>
Accounts receivable, net of allowance	<u>\$ 302,155</u>	<u>\$ 2,988,449</u>

Long-term receivable at June 30, 2013 consists of the following:

	Sewer	Water
Other receivables	\$ 436,664	\$ -
Due from State Government	107,942	107,942
	<u>544,606</u>	<u>107,942</u>
Allowance for doubtful accounts	<u>(20,000)</u>	<u>(20,000)</u>
Accounts receivable, net of allowance	<u>\$ 524,606</u>	<u>\$ 87,942</u>

Other receivables are submitted to the County of El Dorado for collection through a special property tax assessment or if unpaid, ultimately through foreclosure on the property.

Notes To The Financial Statements - continued

June 30, 2013

NOTE E - CHANGES IN LONG-TERM LIABILITIES

During the year ended June 30, 2013, the following changes occurred in long-term liabilities:

	July 1, 2012	Additions	(Deletions)	June 30, 2013
<u>Long-term liabilities:</u>				
Installment Agreement	\$ 1,789,941	\$ -	(\$ 1,789,941)	\$ -
Water Revenue Bonds	2,075,822	-	(2,075,822)	-
13 Water Installment Agreement	-	9,827,465	-	9,827,465
SRF LPPS	2,485,968	-	(101,934)	2,384,034
Sewer COP's	10,275,000	-	(10,275,000)	-
Sewer Installment Agreement	8,400,596	-	(8,400,596)	-
SRF Headworks	902,484	-	-	902,484
SRF Emergency Retention Basin	1,344,698	-	(79,070)	1,265,628
11 Sewer Installment Agreement	6,412,815	-	(230,550)	6,182,265
13 Sewer Loan Agreement	-	8,039,623	-	8,039,623
12 Sewer Installment Agreement	-	10,429,445	(397,191)	10,032,254
Total debt	<u>\$ 33,687,324</u>	<u>\$ 28,296,533</u>	<u>\$(23,825,456)</u>	<u>\$38,633,753</u>
Current debt	<u>\$ 2,343,162</u>			<u>\$ 3,288,564</u>
Long-term debt	<u>\$ 31,344,162</u>			<u>\$35,345,189</u>
Compensated absences	<u>\$ 2,998,043</u>	<u>\$ 1,442,507</u>	<u>\$ (1,311,367)</u>	<u>\$ 3,129,183</u>
Current portion	<u>\$ 1,024,647</u>			<u>\$ 1,006,646</u>
Long-term portion	<u>\$ 1,973,396</u>			<u>\$ 2,122,537</u>

At June 30, 2013, the long-term liabilities are as follows:

	June 30, 2013	Due Within One Year	Long-Term
<u>Long-term liabilities:</u>			
13 Water Installment Agreement	\$ 9,827,465	\$ 1,575,767	\$ 8,251,698
SRF LPPS	2,384,034	104,605	2,279,429
SRF Headworks	902,484	34,624	867,860
SRF Emergency Retention Basin	1,265,628	51,856	1,213,772
11 Sewer Installment Agreement	6,182,265	239,043	5,943,222
13 Sewer Loan Agreement	8,039,623	513,307	7,526,316
12 Sewer Installment Agreement	10,032,254	769,362	9,262,892
Total long-term liabilities	<u>\$ 38,633,753</u>	<u>\$ 3,288,564</u>	<u>\$ 35,345,189</u>
Compensated absences	<u>\$ 3,129,183</u>	<u>\$ 1,006,646</u>	<u>\$ 2,122,537</u>

NOTE F - LONG-TERM DEBT

Long-term debt at June 30, 2013 consists of the following:

2013 Water Installment Sale Agreement with BBVA Compass Bank, secured by a first lien against all water revenues, due January 30, 2030, payable \$895,138 semi-annually, including interest at 2.27%. The balance is recorded net of unamortized cost of \$172,535 at June 30, 2013. The original amount of the debt was \$10,000,000 and was used for construction of water infrastructure improvements and was also used to repay the 2001 Water Refunding and 1999 Installment Sale Agreement, both of which funded water infrastructure improvements.	\$ 9,827,465
2011 California State Water Resources Control Board Revolving Fund loan secured by a first lien against all sewer revenues, due October 15, 2030, payable \$168,973 annually, including interest at 2.7%. The original amount of the debt was \$2,485,968 and was used for construction of the Luther Pass Pump Station Generator Replacement project.	2,384,034
2011 California State Water Resources Control Board Revolving Fund loan secured by a first lien against all sewer revenues, due October 15, 2032, payable \$58,991 annually, including interest at 2.7%. The original amount of the debt was \$902,484 and was used for construction of the Headworks Replacement project.	902,484
2011 California State Water Resources Control Board Revolving Fund loan secured by a first lien against all sewer revenues, due October 15, 2031, payable \$86,029 annually, including interest at 2.7%. The original amount of the debt was \$1,344,698 and was used for construction of the Emergency Retention Basin Liner project.	1,265,628
2011 Sewer Installment Sale Agreement with BBVA Compass Bank, secured by a first lien against all sewer revenues, due August 1, 2031, payable \$231,267 semi-annually, including interest at 3.65%. The original amount of the debt was \$6,525,000 and was used for construction of sewer infrastructure improvements.	6,182,265
2013 Sewer Installment Sale Agreement with BBVA Compass Bank, secured by a first lien against all sewer revenues, due August 1, 2027, payable \$343,919 semi-annually, including interest at 2.46%. The balance is recorded net of unamortized cost of \$360,377 at June 30, 2013. The original amount of the debt was \$8,400,000 and was used to repay the 2007 Sewer Installment Sale Agreement, which funded sewer infrastructure improvements.	8,039,623
2012 Sewer Installment Sale Agreement with BBVA Compass Bank, secured by a first lien against all sewer revenues, due September 1, 2024, payable \$507,630 semi-annually, including interest at 2.3%. The balance is recorded net of unamortized cost of \$175,556 at June 30, 2013. The original amount of the debt was \$10,605,000 and was used for construction of sewer infrastructure improvements and was also used to repay the 2004 Sewer Revenue Certificates of Participation, which funded sewer infrastructure improvements.	10,032,254
	38,633,753
Less: Current principal maturities	(3,288,564)
Total long-term notes payable	\$ 35,345,189

NOTE F - LONG-TERM DEBT - Continued

Principal and interest maturities of long-term debt are as follows:

Years ending June 30,	Principal	Interest	Total
2014	\$ 3,385,270	\$ 884,630	\$ 4,269,900
2015	2,843,947	915,799	3,759,746
2016	2,398,416	851,175	3,249,591
2017	2,458,838	790,753	3,249,591
2018	2,520,824	728,767	3,249,591
2019-2023	12,525,544	2,692,027	15,217,571
2024-2028	9,702,445	1,176,207	10,878,652
2029-2033	3,506,936	209,063	3,716,000
	39,342,220	8,248,421	47,590,642
Unamortized refunding loss	(708,467)	-	(708,467)
	<u>\$ 38,633,753</u>	<u>\$ 8,248,421</u>	<u>\$ 47,115,290</u>

Interest charged on debt, net of amounts capitalized totaling \$ 125,540 for the year ended June 30, 2013 was \$ 928,876.

During 2013, the refinancing of existing debt resulted in net cash flow savings of \$1,797,279, which will accrue to the District over the life of the refunded debt. The economic gain (present value) of these cash flows was \$1,460,096.

Debt covenants for the installment sale agreements to BBVA Compass Bank and the California State Water Resource Control Board Revolving Fund include thresholds for minimum net water and sewer revenue and maximum outstanding debt obligations. The District is in compliance with the requirements as of June 30, 2013.

NOTE G - PENSION PLAN

In 2003, the District joined the California Public Employees Retirement System (CalPERS), an agent multiple-employer public employee defined benefit pension plan on a prospective basis. Employees were not given service credit for prior years of service with the District. All contributions to CalPERS are governed by Memorandums of Understanding (MOUs) between the employees and the District.

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute. Copies of CalPERS' annual financial report may be obtained from their executive office: 400 Q Street, Sacramento, California 95814.

State statute establishes CalPERS member and employer contribution rate requirements. The CalPERS member contribution requirement is 8% of annual covered salary for the 2.7% at age 55 benefit formula. The District MOU's require the District to fund 1.20% of the member contributions on behalf of its CalPERS members, with members funding the remaining 6.80% of their annual covered salary for the year ended June 30, 2013. The District funds the actuarially determined remaining amount necessary to fund member benefits. The required employer contribution rate for the year

NOTE G - PENSION PLAN - Continued

ended June 30, 2013 was 15.608%. The District MOU's require that future employer contribution rate increases be shared equally by the District and employees. For the year ended June 30, 2013, the amount contributed by the District on behalf of the employees was \$101,722. CalPERS members vest immediately in the member contribution and vest in the employer contribution after five years of CalPERS membership.

For the fiscal years ended June 30, 2013, 2012 and 2011, the District's actual annual CalPERS cost of \$1,429,218, \$1,399,012, and \$1,316,604, respectively, was equal to the District's required contributions. The required contributions were determined in a 2010 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions include (a) 7.50% investment rate of return (net of administrative expenses); (b) salary increase projections of 3.30% to 14.20% depending on entry age, and duration of service; (c) 3.00% payroll growth (d) annual inflation 2.75% and (e) 2% postretirement benefit increases. The PERS unfunded liabilities are being amortized as a level percentage of projected payroll on a closed basis. The average remaining amortization period at June 30, 2010 was 20 years. As of June 30, 2013, the District is participating in the 2.7% at age 55 risk pool and the disclosure below is for that risk pool.

CalPERS Funding Status:

Valuation Date June 30	Actuarial Valuation of Assets	Actuarial Accrued Liability	Unfunded Liabilities	Funding Ratio	Annual Covered Payroll	Unfunded Liabilities as a % of Payroll
2011	\$1,981,073,089	\$2,486,708,579	\$505,635,490	79.7%	\$427,300,400	118.3%
2010	1,815,671,616	2,297,871,345	482,199,729	79.0%	434,023,381	111.1%
2009	1,674,260,302	2,140,438,884	466,178,582	78.2%	440,071,499	105.9%

During 2012, California passed Assembly Bill (AB) 340 creating the Public Employee's Pension Reform Act (PEPRA) that implemented new CalPERS benefit formulas and contribution requirements for new CalPERS members hired on or after January 1, 2013. The benefit formula for the new plan is 2% at age 62. The required employer and member contribution rates are 6.25% each and will remain unchanged through June 30, 2015. CalPERS expects to complete the first actuarial valuation in the fall of 2014 and it will include contribution rates for fiscal year July 1, 2015 through June 30, 2016, as well as actuarial assumptions and funding status.

NOTE H - DEFERRED COMPENSATION PLAN

The District offers its employees a deferred compensation plan (the "457 Plan") created in accordance with Internal Revenue Code Section 457. The 457 Plan permits the employees to defer a portion of their salary until future years. A third party administrator maintains deferrals in a trust capacity. The deferred compensation is not available to employees until termination, retirement, death or unforeseen emergency. Participants can elect to contribute up to 100% of their annual compensation, generally not to exceed \$16,500.

The 457 Plan assets, totaling \$3,258,044 at June 30, 2013, consist of investments in mutual funds. The assets under the District's 457 Plan are held in trust and are considered protected from the general creditors of the District.

NOTE I - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. To protect the District from these risks, it is a member of a risk management program as discussed in Note L. The District carries commercial insurance to protect against the risk of errors and omissions. For each of the three most recent years, settlement of claims has not exceeded insurance coverage.

NOTE J - SELF-INSURANCE

The District's self-insurance program commenced January 1, 1997 and covers medical, dental, and prescription drug benefits. All activity related to the self-insurance program is included in the Sewer and Water Enterprise Funds. Under the program, the District is obligated for claim payments up to \$85,000 per individual in 2012. The District purchased a commercial excess insurance policy to cover claims that exceed \$85,000 per individual in 2012. The policy also covers aggregate claims which exceed \$3,212,011 for the calendar year ending December 31, 2012. For the years ended June 30, 2013 and 2012, approximately \$785,000 and \$712,000, respectively, was received for stop loss reimbursements. No settlements exceeded the excess insurance coverage for any of the past three years. As of January 1, 2013, the District's self – insurance program only covers dental benefits. Due to increasing costs the District chose to become fully insured through Anthem Blue Cross provided by the Association of California Water Agencies Joint Powers Insurance Authority. The dental self-insurance program is for active employees and their dependents. The District has no financial or legal obligation to provide coverage to retired employees. The following represents changes in aggregate liabilities for the program during the years ended June 30:

	<u>2013</u>	<u>2012</u>
Unpaid claims and claim adjustment expenses at beginning of year:	<u>\$ 195,277</u>	<u>\$ 220,796</u>
Incurred claims and claim adjustment expenses:		
Provision for insured events of current year	1,746,969	2,588,506
Increase in provision for insured events of prior years	<u>55,048</u>	<u>101,607</u>
Total incurred claims and claim adjustment expenses	<u>1,802,017</u>	<u>2,690,113</u>
Payments:		
Claims and claim adjustment expenses attributable to insured events of:		
Current year	2,521,400	3,105,509
Prior years	<u>250,325</u>	<u>322,405</u>
Total payments	<u>2,771,725</u>	<u>3,427,914</u>
Claims reimbursed by excess insurance	<u>784,608</u>	<u>712,282</u>
Total unpaid claims and claim adjustment expenses at end of year	<u>\$ 10,177</u>	<u>\$ 195,277</u>

NOTE J - SELF-INSURANCE - Continued

The components of the unpaid claims liability was as follows as of June 30:

	2013	2012
Claims reserves	\$ 5,173	\$ 109,781
Incurred but not reported claims	5,004	85,496
	<u>\$ 10,177</u>	<u>\$ 195,277</u>

NOTE K - COMMITMENTS AND CONTINGENCIES**1. Operating Leases**

The District leases a reservoir right of way from the Bureau of Land Management. This lease has no termination date. Annual lease expense is \$4,700.

The District leases waterline, wastewater disposal and water tank access rights of way from the U.S. Forest Service. These leases have no termination date. Annual lease expense is \$61,250. This lease amount is calculated annually by the U.S. Forest Service.

2. Contractual Obligations

At June 30, 2013, the District's significant contractual commitments with outside firms for engineering, construction, consulting, and various other services totaled approximately \$2 million.

At June 30, 2013, the District's management was in negotiations with various contractors regarding change orders for work performed prior to year-end. Management has made estimates for amounts due at year end and has recorded them in accrued liabilities at year end.

3. Contingencies

Under the terms of federal and state grants, and under the provisions of the Single Audit Act of 1996, periodic audits are required and certain costs may be questioned as not being appropriate expenses under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. Management believes disallowances, if any, will be immaterial.

The District is also subject to legal proceedings and claims that arise in the ordinary course of business. In the opinion of management the amount of ultimate liability with respect to such actions will not materially affect the financial position or results of operations of the District.

NOTE L - JOINT POWERS AUTHORITY

The District is a member of a joint powers authority, California Sanitation Risk Management Authority (CSRMA), for the operation of a common risk management and insurance program. The program covers workers' compensation, property and liability insurance. The membership includes public wastewater agencies within California. A Board of Directors consisting of representatives from member agencies governs the Authority. The Authority's Board of Directors controls the operations of the CSRMA, including selection of management and approval of operating budgets.

The following is a summary of the most current unaudited financial information for California Sanitation Risk Management Authority as of June 30, 2013:

Total assets	\$ 28,287,779
Total liabilities	17,530,883
Net assets	10,756,896
Total revenues	10,390,289
Total expenses	11,971,617

If the District's deposits are not adequate to meet costs of claims and expenses, a retrospective adjustment to make up the difference, subject to minimum and maximum amounts, can take place. Coverage provided under the program has not changed and settled claims resulting from these risks have not exceeded coverage in any of the past three years.

The District is also a member of a joint powers authority CAMP. CAMP provides professional investment services to California public agencies. Members of the Authority can participate in the CAMP Cash Reserve Portfolio. The Authority is governed by a Board of Trustees, which is made up of experienced local government finance directors, treasurers, and school business officials. The Authority's Trustees control the operation of CAMP, including formation and implementation of its investment and operating policies.

The following is a summary of the most current audited financial information for CAMP Trust as of December 31, 2012 (the most recent information available):

Total assets	\$ 2,176,227,000
Total liabilities	530,000
Net assets	2,175,697,000
Net asset value per share	1
Total income	7,281,000
Total expenses	2,876,000
Net realized gain on investments	162,000
Net increase in net assets resulting from operations	4,567,000

Complete financial statements for CAMP can be obtained from the PFM Asset Management LLC at 50 California Street, Suite 2300, San Francisco, California 94111.

The relationships between South Tahoe Public Utility District and the joint powers authorities are such that CSRMA and CAMP are not component units of the District for financial reporting purposes.

NOTE M - PROPERTY TAX REVENUE

Secured property taxes are attached as an enforceable lien and levied on property as of January 1st. Taxes are due in two installments, on or before December 10th and April 10th. The District recognizes property tax receivables on January 1st and defers revenue recognition until the period for which the property taxes are levied (July 1st through June 30th). Property tax revenue is derived from property tax assessments levied within the entire District. The Board of Directors is using these funds to subsidize the Sewer Enterprise Fund operations. The District relies upon the competency of the County of El Dorado for assessing the property tax and establishing a lien date, and for billing, collecting and distributing its share of the property tax revenue.

NOTE N - INVESTMENT EARNINGS

Investment earnings consist of the following for the year ended June 30, 2013:

Interest income	\$ 162,340
Realized and unrealized losses	<u>(15,703)</u>
	<u>\$ 146,637</u>

NOTE O - OTHER OPERATING EXPENSES

Other operating expenses are as follows for the year ended June 30, 2013:

Professional services	\$ 909,583
Insurance and unreimbursed claims	232,136
Chemical supplies	283,357
Operating permits	307,844
Office expense	174,689
Travel, meetings and education	212,045
Petroleum products	187,673
Research and monitoring	48,437
Miscellaneous expense	<u>779,594</u>
Total other operating expenses	<u>\$ 3,135,358</u>



*Partnering with the community
to conserve and save.*



S T P U D
Statistical Section Objectives

The Statistical Section provides historical information on South Tahoe Public Utility District's (the District's) economic condition. Specific objectives of each schedule are noted below:

<u>Contents</u>	<u>Page</u>
<u>Financial Trends Data</u>	
Changes in Net Position	42-43
Net Position by Component	44
<ul style="list-style-type: none">These schedules present financial trend data for assessing the District's financial position over time.	
<u>Revenue Capacity Data</u>	
Water and Sewer Service Charges- Billings and Collections	45
Annual Sewer and Water Rates	46
Annual Sewer Permits Issued	46
Annual Service Fee Comparison	47
Ten Largest Customers	48
Sewer and Water Service Charges by Type of Customer	49
Principal Employers	50
Property Tax Assessments and Levies – Sewer Enterprise Fund	51
Property Tax Rates All Direct and Overlapping Governments	51
Principal Property Taxpayers	52
<ul style="list-style-type: none">These schedules present revenue capacity information for assessing the District's ability to generate revenue. Sewer and Water Service Charges and Property Taxes are the District's most significant revenue sources.	
<u>Debt Capacity Data</u>	
Ratios of Outstanding Debt by Type	53
<ul style="list-style-type: none">This schedule presents information on the District's debt burden per customer for both of its enterprise funds.	
Pledged-Revenue Coverage	54
<ul style="list-style-type: none">This schedule shows net revenue available for debt service and related coverage ratios.	
<u>Operating Information</u>	
Capital Spending	55
Capital Asset Statistics by Function/Program	55
Detail of Capital Spending	56
<ul style="list-style-type: none">These schedules provide information on the District's infrastructure replacement program and details spending on current large projects.	
Wastewater Flows	57
<ul style="list-style-type: none">The Wastewater Flow Schedule details the amount of influent customers send to the Wastewater Treatment Plant annually, monthly, and daily.	
Water Production	58
<ul style="list-style-type: none">The Water Production Schedule details potable water demand by customers annually, monthly, and daily.	
<u>Demographic and Economic Information</u>	
Demographic Statistics	59
<ul style="list-style-type: none">These schedules provide information to assist readers is assessing the socioeconomic environment of the local community. It also provides operating information on issuance of sewer permits and the District's workforce.	
<u>Acknowledgments</u>	60

S T P U D
Changes In Net Position
Last Ten Fiscal Years

	<u>2012-13</u>	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>
Operating revenues:				
Charges for sales and services:				
Service charges	\$19,905,104	\$18,996,769	\$18,843,974	\$18,604,175
Connection and service fees	1,732,924	985,935	991,440	833,048
Other operating income	<u>396,604</u>	<u>342,608</u>	<u>400,643</u>	<u>336,922</u>
Total operating revenues	<u>22,034,632</u>	<u>20,325,312</u>	<u>20,236,057</u>	<u>19,774,145</u>
Operating expenses:				
Salaries, wages and employee benefits	14,041,923	13,388,830	13,619,980	13,120,439
Depreciation and amortization	7,175,923	7,067,228	6,919,963	6,582,930
Utilities	2,746,641	2,494,186	2,740,754	2,707,769
Repairs and maintenance	1,427,598	1,408,910	1,381,239	1,297,337
Other operating expenses	3,135,358	2,857,630	3,234,225	3,002,659
Loss on disposal of assets	<u>-</u>	<u>9,418</u>	<u>68,397</u>	<u>201,297</u>
Total operating expenses	<u>28,527,443</u>	<u>27,226,202</u>	<u>27,964,558</u>	<u>26,912,431</u>
Operating income (loss)	<u>(6,492,811)</u>	<u>(6,900,890)</u>	<u>(7,728,501)</u>	<u>(7,138,286)</u>
Nonoperating revenues (expenses):				
Tax revenue	6,167,800	6,120,827	6,198,253	6,638,488
Investment earnings	146,637	300,142	306,131	443,430
Aid from governmental agencies	317,492	483,547	360,360	212,228
Other nonoperating income	282,581	250,967	317,025	665,179
Interest expense	(1,165,094)	(1,097,536)	(848,177)	(958,451)
Other expense	<u>(230,679)</u>	<u>(221,384)</u>	<u>(216,855)</u>	<u>(228,414)</u>
Total nonoperating revenues	<u>5,518,737</u>	<u>5,836,563</u>	<u>6,116,737</u>	<u>6,772,460</u>
Income before contributions	(974,074)	(1,064,327)	(1,611,764)	(365,826)
Capital contributions (reimbursements)	<u>1,252,318</u>	<u>1,547,745</u>	<u>5,543,204</u>	<u>2,999,511</u>
Change in net position	<u>\$ 278,244</u>	<u>\$ 483,418</u>	<u>\$ 3,931,440</u>	<u>\$2,633,685</u>

SOURCE: South Tahoe Public Utility District Finance Department

S T P U D
Changes In Net Position - continued

<u>2008-09</u>	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>	<u>2004-05</u>	<u>2003-04</u>
\$18,893,889	\$17,989,037	\$17,373,052	\$16,522,189	\$15,919,463	\$15,788,451
1,846,994	2,012,435	2,737,239	2,790,341	2,543,446	2,363,199
<u>336,923</u>	<u>352,641</u>	<u>234,907</u>	<u>254,806</u>	<u>264,301</u>	<u>255,719</u>
<u>21,077,806</u>	<u>20,354,113</u>	<u>20,345,198</u>	<u>19,567,336</u>	<u>18,727,210</u>	<u>18,407,369</u>
12,392,517	12,632,661	10,902,376	10,152,248	10,003,729	9,721,058
6,098,782	6,428,947	6,324,125	5,972,716	5,763,918	5,071,831
2,263,497	3,051,521	2,811,641	2,758,794	2,454,805	2,441,967
1,631,748	1,936,648	1,268,018	1,129,517	976,001	1,026,698
2,975,492	3,191,607	3,354,115	2,514,282	2,902,416	2,736,178
<u>-</u>	<u>-</u>	<u>389,057</u>	<u>172,303</u>	<u>840,516</u>	<u>679,060</u>
<u>25,732,036</u>	<u>27,241,384</u>	<u>25,049,332</u>	<u>22,699,860</u>	<u>22,941,385</u>	<u>21,676,792</u>
<u>(4,654,230)</u>	<u>(6,887,271)</u>	<u>(4,704,134)</u>	<u>(3,132,524)</u>	<u>(4,214,175)</u>	<u>(3,269,423)</u>
6,667,671	6,404,070	6,284,784	5,391,989	4,690,982	4,632,553
1,649,122	2,264,933	2,326,466	2,168,782	1,407,348	571,729
344,530	1,111,171	604,736	624,185	390,299	428,031
530,507	448,190	446,864	438,463	359,456	237,069
(1,345,841)	(1,353,088)	(1,162,339)	(1,698,914)	(916,422)	(586,759)
<u>(196,410)</u>	<u>(183,917)</u>	<u>(152,609)</u>	<u>(156,957)</u>	<u>(140,073)</u>	<u>(152,161)</u>
<u>7,649,579</u>	<u>8,691,359</u>	<u>8,347,902</u>	<u>6,767,548</u>	<u>5,791,590</u>	<u>5,130,462</u>
2,995,349	1,804,088	3,643,768	3,635,024	1,577,415	1,861,039
<u>4,079,206</u>	<u>527,652</u>	<u>89,264</u>	<u>(787,626)</u>	<u>227,347</u>	<u>8,486</u>
<u>\$ 7,074,555</u>	<u>\$ 2,331,740</u>	<u>\$ 3,733,032</u>	<u>\$ 2,847,398</u>	<u>\$ 1,804,762</u>	<u>\$ 1,869,525</u>

STPUD

Net Position By Component

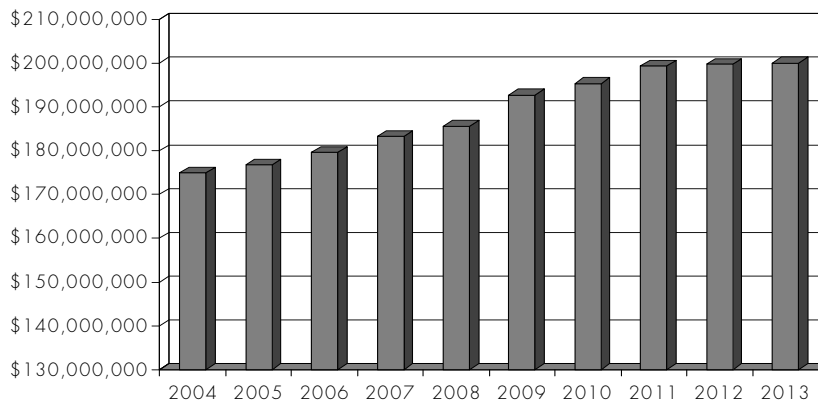
Last Ten Fiscal Years

	<u>2012-13</u>	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>
Business-type activities					
Invested in capital assets,					
net of related debt	\$171,826,113	\$171,743,660	\$168,387,320	\$160,847,520	\$152,139,268
Restricted for MTBE-					
related costs	380,322	473,264	2,789,890	7,355,783	10,527,539
Restricted for security					
deposits	275,000	275,000	275,000	275,000	275,000
Restricted for capital					
asset purchases	7,120,114	-	-	-	-
Unrestricted	<u>20,402,167</u>	<u>27,233,548</u>	<u>27,789,844</u>	<u>26,832,311</u>	<u>29,735,122</u>
Total business-type activities					
net position	<u>\$200,003,716</u>	<u>\$199,725,472</u>	<u>\$199,242,054</u>	<u>\$195,310,614</u>	<u>\$192,676,929</u>

	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>	<u>2004-05</u>	<u>2003-04</u>
Business-type activities					
Invested in capital assets,					
net of related debt	\$147,205,534	\$145,236,132	\$136,226,186	\$120,245,080	\$117,791,809
Restricted for MTBE-					
related costs	11,332,020	12,936,572	17,268,718	23,760,116	26,982,768
Restricted for security					
deposits	235,000	235,000	265,000	260,000	260,000
Restricted for capital					
asset purchases	-	-	-	-	-
Unrestricted	<u>26,829,802</u>	<u>24,862,930</u>	<u>25,777,698</u>	<u>32,425,008</u>	<u>29,850,865</u>
Total business-type activities					
net position	<u>\$185,602,374</u>	<u>\$183,270,634</u>	<u>\$179,537,602</u>	<u>\$176,690,204</u>	<u>\$174,885,442</u>

SOURCE: South Tahoe Public Utility District Finance Department

Net Position By Component



STPUD

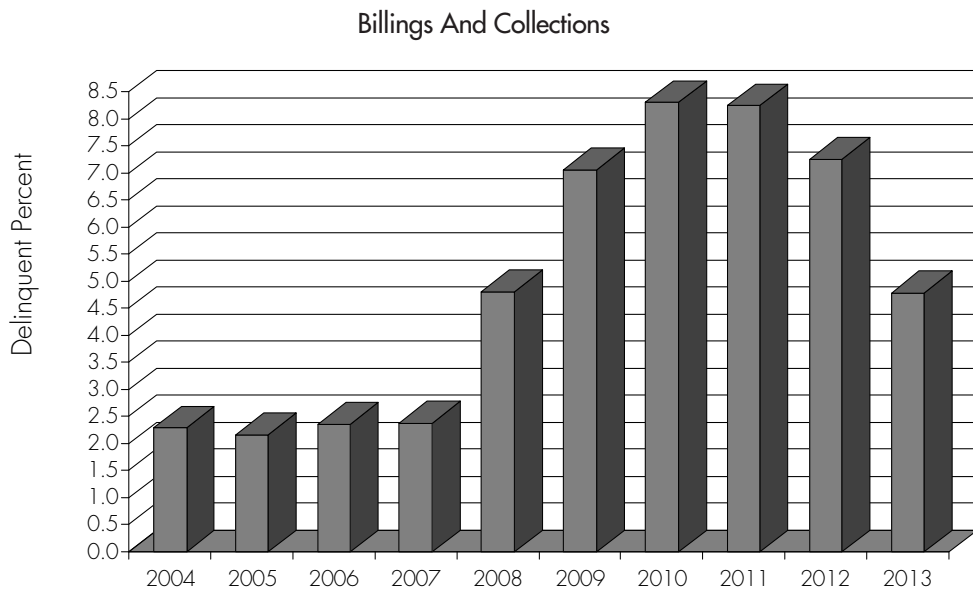
Water And Sewer Service Charges - Billings And Collections

Last Ten Fiscal Years

Fiscal Year	Delinquent Receivables	Delinquent Accounts	Annual Billing		Total Annual Billing	Delinquent Percent
			Sewer Charges	Water Charges		
2012-13	\$953,197	2,630	\$10,590,758	\$9,314,346	\$19,905,104	4.79
2011-12	1,379,416	2,615	10,183,438	8,813,331	18,996,769	7.26
2010-11	1,554,328	2,748	9,890,813	8,953,161	18,843,974	8.25
2009-10	1,546,885	2,790	9,735,755	8,868,420	18,604,175	8.31
2008-09	1,333,697	2,738	9,723,796	9,170,093	18,893,889	7.06
2007-08	865,533	2,462	9,327,457	8,661,580	17,989,037	4.81
2006-07	412,691	2,061	8,960,077	8,412,975	17,373,052	2.38
2005-06	389,590	1,892	8,573,375	7,948,814	16,522,189	2.36
2004-05	343,200	1,671	8,256,173	7,663,290	15,919,463	2.16
2003-04	361,811	1,704	8,226,917	7,561,534	15,788,451	2.29

SOURCE: South Tahoe Public Utility District Customer Service Department

Note: The District is pursuing collection of delinquent balances through the County Assessor's Office as an addition to the property tax rolls.



S T P U D

Annual Sewer And Water Rates

Last Ten Fiscal Years

TYPICAL SINGLE FAMILY RESIDENCE(1)

Fiscal Year	Sewer	Water(3)	Total
2012-13	\$377.40	\$489.20	\$866.60
2011-12	\$359.40	\$479.58	\$838.98
2010-11	\$348.96	\$479.58	\$828.54
2009-10	\$342.12	\$467.88	\$810.00
2008-09	\$342.12	\$467.88	\$810.00
2007-08	\$325.80	\$445.60	\$771.40
2006-07	\$311.88	\$426.32	\$738.20
2005-06	\$299.88	\$409.92	\$709.80
2004-05	\$289.68	\$396.00	\$685.68
2003-04	\$289.68	\$396.00	\$685.68

TYPICAL COMMERCIAL METERED WATER RATE(2)

Fiscal Year	2" Meter Charge(3)	Consumption Charge Per 100 cu. ft.
2012-13	\$1,918.80	\$1.37
2011-12	\$1,407.12	\$1.85
2010-11	\$965.39	\$2.26
2009-10	\$941.84	\$2.20
2008-09	\$941.84	\$2.20
2007-08	\$914.40	\$2.12
2006-07	\$795.04	\$2.00
2005-06	\$764.44	\$1.92
2004-05	\$738.60	\$1.86
2003-04	\$738.60	\$1.86

Annual Sewer Permits Issued

Last Ten Fiscal Years

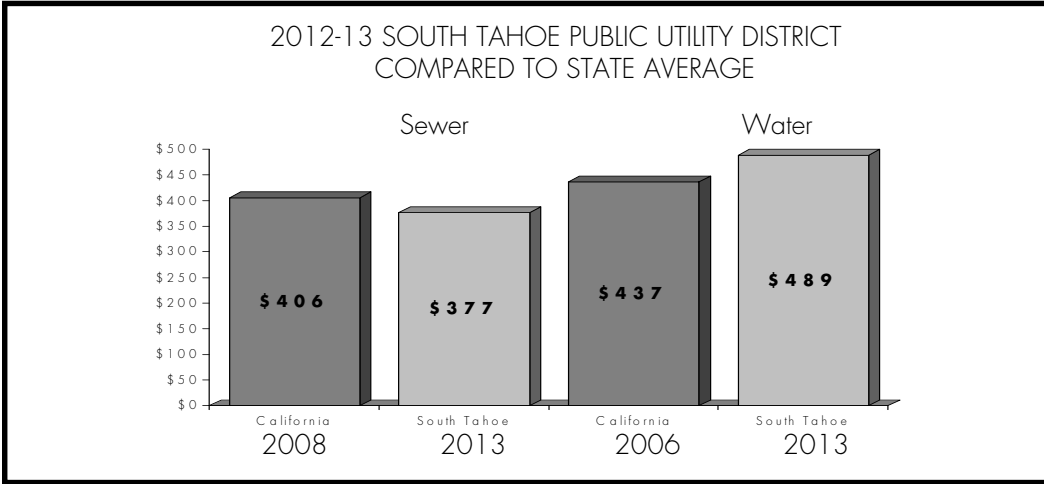
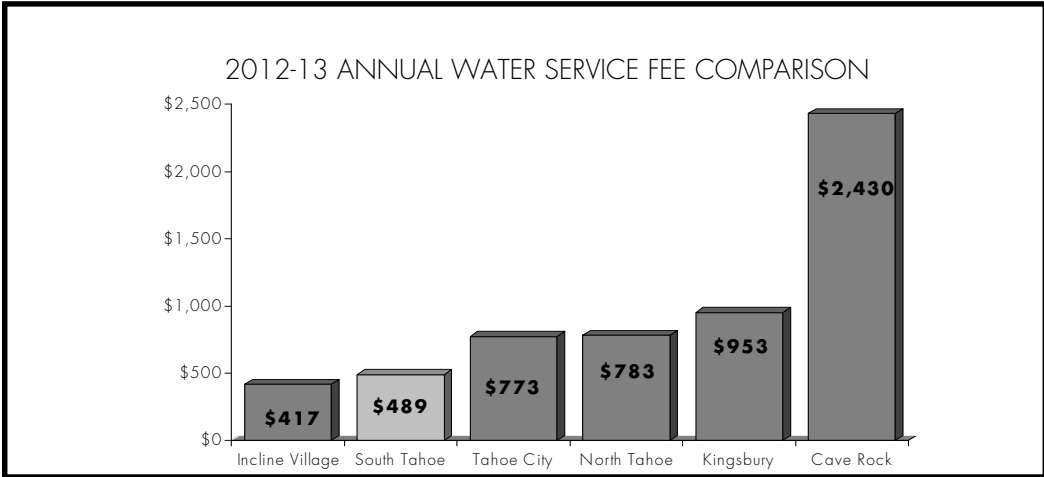
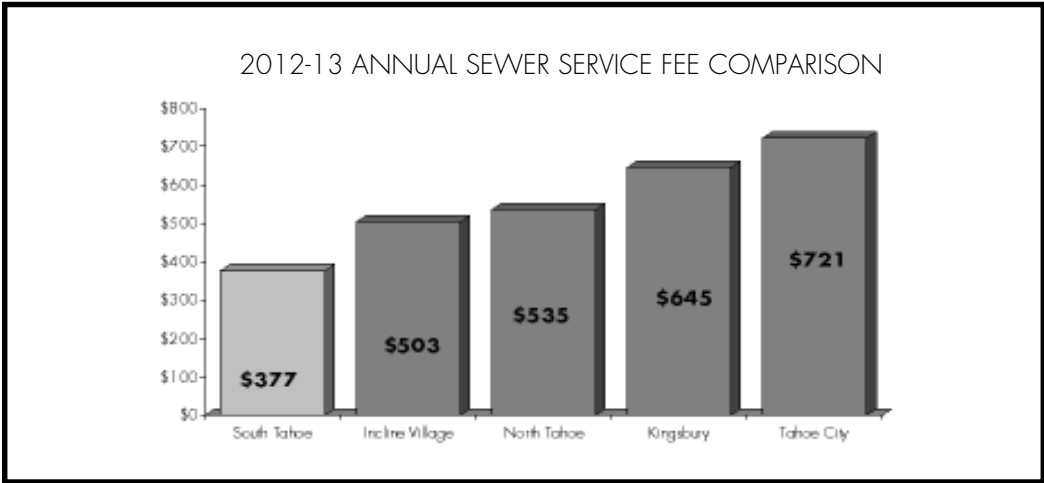
Fiscal Year	Number of Permits
2012-13	67
2011-12	50
2010-11	53
2009-10	62
2008-09	58
2007-08	114
2006-07	172
2005-06	184
2004-05	225
2003-04	229

SOURCE: South Tahoe Public Utility District Customer Service Department

Notes:

- (1) Most residential customers pay a flat rate for water and sewer. The sewer rate shown here is for a home with up to two bathrooms.
- (2) Most commercial customers pay metered water rates that include the meter charge based on the size of their water line plus a consumption charge based on water used.
- (3) A portion of the water rate is restricted by ordinance for capital projects' use.

S T P U D
Annual Service Fee Comparison



SOURCES: South Tahoe Public Utility District Finance Department, California State Water Resources Control Board, and Black and Veatch Corporation.

Note: State sewer and water comparisons are based on the most recent available surveys.

STPUD

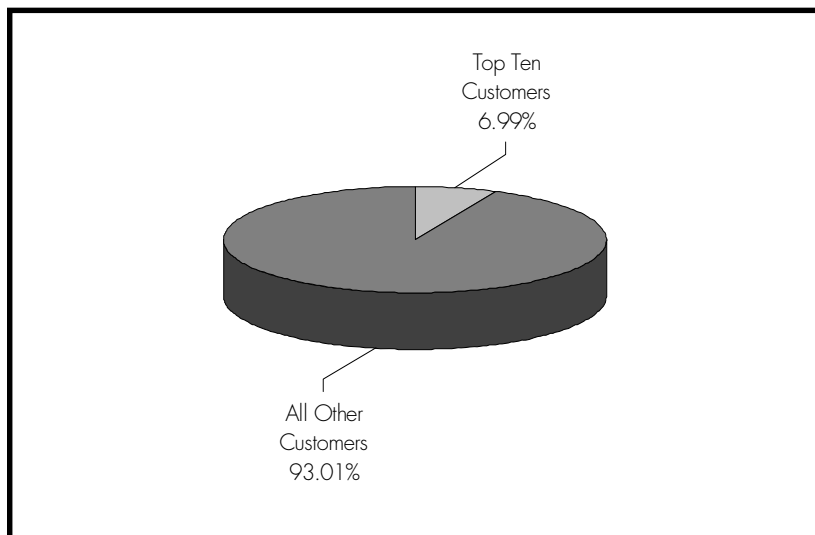
Ten Largest Customers

Current Year And Nine Years Ago

Customer	2012-13			2003-04		
	Total Revenue	Rank	% of Service Charge	Total Revenue	Rank	% of Service Charge
Heavenly Mountain Resort	\$ 211,468	1	1.06	\$ 203,590	1	1.29
City of South Lake Tahoe	166,626	2	0.84	111,712	5	0.71
Lake Tahoe Unified School District	157,062	3	0.79	113,168	4	0.72
Tahoe Verde	142,943	4	0.72	145,593	3	0.92
Lake Tahoe Resort Partners (Embassy Vacation Resorts)	138,109	5	0.69	100,108	7	0.63
Marriott Timberlodge	136,119	6	0.68	76,782	8	0.49
Marriott Grand Residence	130,831	7	0.66	181,776	2	1.15
Embassy Suites	120,176	8	0.60	105,068	6	0.67
County of El Dorado	103,240	9	0.52	—	—	—
Barton Memorial Hospital	84,313	10	0.42	—	—	—
Lakeland Village	—	—	—	67,661	9	0.43
Sierra Vista I & II/ Tahoe Pines	—	—	—	66,018	10	0.42
	\$1,390,887		6.99%	\$1,171,476		7.43%

SOURCE: South Tahoe Public Utility District Customer Service Department

2012 - 13 Total Revenue



S T P U D

Sewer And Water Service Charges By Type Of Customer

Last Ten Fiscal Years

<u>Type of Customer</u>	<u>2012-13</u>	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>
Residential	\$15,766,282	\$14,874,714	\$14,727,584	\$14,435,526	\$14,541,849
Motel/Hotel/ Timeshare	1,685,628	1,712,233	1,704,018	1,663,568	1,738,703
Commercial	1,822,487	1,844,508	1,851,064	1,885,331	2,055,314
Government	626,726	561,515	557,727	616,079	553,747
Industrial	3,981	3,799	3,581	3,671	4,276
	\$19,905,104	\$18,996,769	\$18,843,974	\$18,604,175	\$18,893,889

<u>Type of Customer</u>	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>	<u>2004-05</u>	<u>2003-04</u>
Residential	\$13,850,793	\$13,464,452	\$13,052,132	\$12,398,895	\$12,364,792
Motel/Hotel/ Timeshare	1,648,852	1,587,923	1,530,660	1,465,750	1,491,403
Commercial	1,946,998	1,860,185	1,499,645	1,591,345	1,516,353
Government	538,521	457,063	436,562	459,907	412,559
Industrial	3,873	3,429	3,190	3,566	3,344
	\$17,989,037	\$17,373,052	\$16,522,189	\$15,919,463	\$15,788,451

SOURCE: South Tahoe Public Utility District Customer Service Department

STPUD

Principal Employers

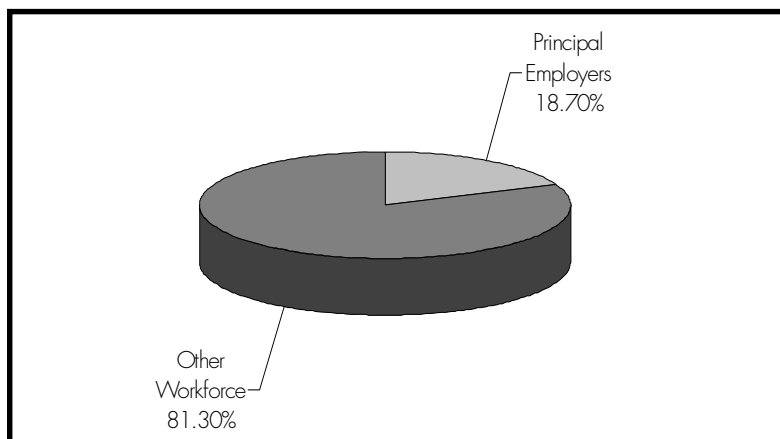
Current Year And Six Years Ago

Employer	Type of Business	2012-13			2006-07		
		Number of Employees	Rank	% of Total Workforce	Number of Employees	Rank	% of Total Workforce
Barton Memorial Hospital	Health Services	754	1	5.0%	909	1	5.7%
Lake Tahoe Unified School District	Education	373	2	2.5%	458	2	2.9%
El Dorado County	Government	293	3	1.9%	225	7	1.4%
Heavenly Mountain Resort	Ski Industry	267	4	1.8%	157	9	0.9%
Raley's	Food/Drug	241	5	1.6%	227	6	1.4%
United States Forest Service	Government	204	6	1.4%	245	5	1.5%
Marriott Corporation	Lodging	192	7	1.3%	320	3	2.0%
City of South Lake Tahoe	Government	190	8	1.3%	208	8	1.3%
Lake Tahoe Community College	Education	178	9	1.2%	260	4	1.6%
South Tahoe Public Utility District	Utilities	111	10	0.7%	113	10	0.7%
Subtotal		2,803		18.7%	3,122		19.4%
Total Workforce		15,096			15,874		

SOURCE: South Tahoe Public Utility District Finance Department

Note: The District began collecting this data in fiscal year 2006-07. Number of employees is based on fulltime equivalents.

2012 - 13 Total Workforce



STPUD

Property Tax Assessments And Levies - Sewer Enterprise Fund

Last Ten Fiscal Years

(Value In Thousands)

Fiscal Year	SECURED Assessed		UNSECURED Assessed		TOTAL (1) Assessed		County Admin. Fee
	Valuation	Levy	Valuation	Levy	Valuation	Levy	
2012-13	\$5,557,023	\$6,002	\$102,644	\$111	\$5,659,667	\$6,113	(\$182)
2011-12	\$5,636,704	\$5,950	\$102,857	\$108	\$5,739,561	\$6,058	(\$196)
2010-11	\$5,735,271	\$5,995	\$111,674	\$116	\$5,846,945	\$6,111	(\$181)
2009-10	\$6,175,232	\$6,354	\$129,755	\$133	\$6,304,987	\$6,487	(\$176)
2008-09	\$6,146,013	\$6,324	\$127,255	\$131	\$6,273,268	\$6,455	(\$168)
2007-08	\$5,870,154	\$6,099	\$118,129	\$123	\$5,988,283	\$6,222	(\$135)
2006-07	\$5,466,761	\$5,685	\$108,019	\$112	\$5,574,780	\$5,797	(\$129)
2005-06	\$4,879,227	\$4,708	\$ 92,663	\$ 89	\$4,971,890	\$4,797	(\$117)
2004-05	\$4,336,070	\$4,670	\$ 91,265	\$ 98	\$4,427,335	\$4,768	(\$133)
2003-04	\$3,963,228	\$4,245	\$ 89,497	\$ 96	\$4,052,725	\$4,341	(\$136)

SOURCE: El Dorado County Auditor-Controller's Office

Note: El Dorado County uses the Teeter method of property tax distribution, therefore all levied taxes were remitted to the District.

Property Tax Rates All Direct And Overlapping Governments

Last Ten Fiscal Years

(Percent)

Government	2012-13	2011-12	2010-11	2009-10	2008-09
County General Levy	1.0000	1.0000	1.0000	1.0000	1.0000
Lake Tahoe Unified School District	0.0684	0.0542	0.0522	0.0452	0.0194
TOTAL	1.0684	1.0542	1.0522	1.0452	1.0194

Government	2007-08	2006-07	2005-06	2004-05	2003-04
County General Levy	1.0000	1.0000	1.0000	1.0000	1.0000
Lake Tahoe Unified School District	0.0190	0.0199	0.0219	0.0232	0.0248
TOTAL	1.0190	1.0199	1.0219	1.0232	1.0248

SOURCE: California Municipal Statistics, Inc.

STUD

Principal Property Taxpayers

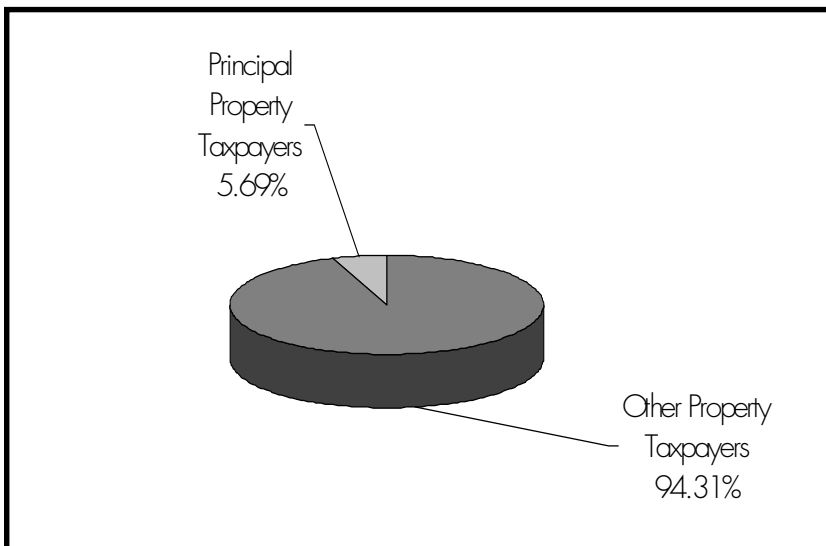
Current Year And Eight Years Ago

Taxpayer	2012-13			2004-05		
	Taxable Assessed Value	Rank	Percentage of Total District Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total District Taxable Assessed Value
First American Trust FSB	\$ 66,383,241	1	1.19	-	-	-
Heavenly Valley LP	64,073,418	2	1.15	72,363,698	1	1.66
Roppongi-Tahoe LP	50,760,066	3	0.91	44,365,178	3	1.02
Trans-Sierra Investments	25,932,462	4	0.47	38,678,281	4	0.89
Tahoe Crescent Partnership LP	23,624,700	5	0.43	11,037,357	10	0.25
Marriott Ownership Resorts	20,465,144	6	0.37	53,394,340	2	1.22
South Tahoe Refuse Co. Inc.	18,440,323	7	0.33	-	-	-
Seven Springs LP	15,940,486	8	0.29	14,082,294	8	0.32
Robert and Lisa Maloff	15,870,371	9	0.29	37,664,356	5	0.86
Tahoe Keys Marina	14,473,522	10	0.26	-	-	-
Lake Tahoe Resort Partners	-	-	-	33,675,061	6	0.77
Heavenly Resort Properties	-	-	-	27,307,166	7	0.63
Stardust Vacation Club	-	-	-	13,586,698	9	0.31
	\$315,963,733		5.69	\$346,154,429		7.93

SOURCE: California Municipal Statistics, Inc.

Note: The District began collecting this data in fiscal year 2004-05.

2012 - 13 Taxpayers



STPUD

Ratios Of Outstanding Debt By Type (1)

Last Ten Fiscal Years

Business-Type Activities

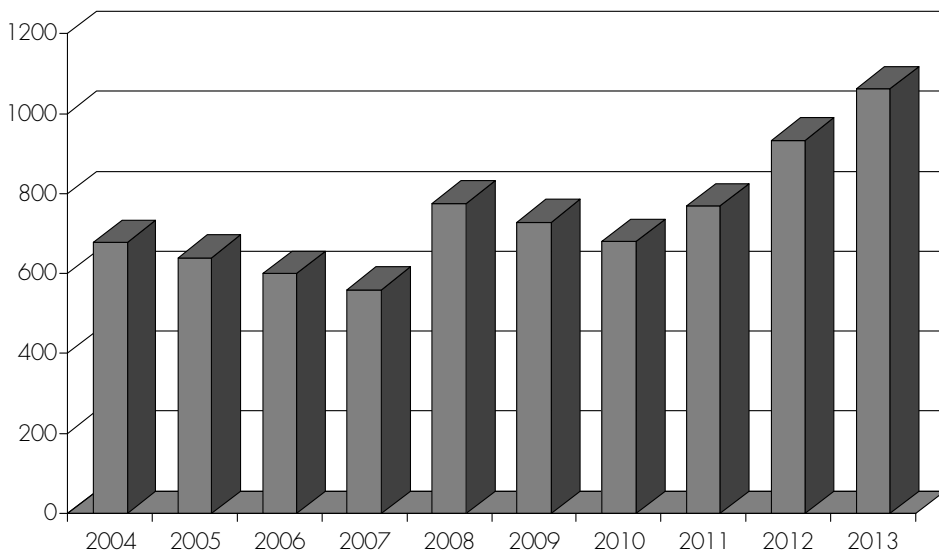
Fiscal Year	Water Revenue Bonds	Sewer Certificates of Participation	Term Loans	Capital Leases	Total	Debt Per Capita(2)	Debt as a Share of Personal Income (2)
2012-13	\$ -	\$ -	\$38,633,753	-	\$38,633,753	\$1,062	3.89
2011-12	2,075,821	10,275,000	21,336,503	-	33,687,324	934	3.45%
2010-11	2,693,216	10,925,000	14,161,846	-	27,780,062	774	3.00%
2009-10	3,290,610	11,555,000	11,327,157	-	26,172,767	732	2.81%
2008-09	3,863,004	12,165,000	11,857,073	-	27,885,077	729	2.68%
2007-08	4,410,398	12,760,000	12,362,963	-	29,533,361	776	-
2006-07	4,932,792	13,340,000	2,797,379	-	21,070,171	560	-
2005-06	5,435,186	13,910,000	3,163,206	-	22,508,392	600	-
2004-05	5,917,580	14,470,000	3,499,656	-	23,887,236	640	-
2003-04	6,384,974	15,000,000	3,809,269	8,525	25,202,768	677	-

SOURCE: South Tahoe Public Utility District Finance Department

Notes:

- (1) Details regarding the District's outstanding debt can be found in Note F of the financial statements.
- (2) See the Demographics and Economic Statistics schedule on page 59 for population and per capita income data.

2012 - 13 Debt Per Capita



S T P U D
Pledged-Revenue Coverage
Last Ten Fiscal Years

Sewer Enterprise Fund

Fiscal Year	Gross Revenues (3)	Less: Operating Expenses (1)	Net Available Revenues	Principal	Debt Service Interest (2)	Coverage Ratio(s) (4)
2012-13	17,942,987	13,303,166	4,639,821	1,202,950	860,323	2.2
2011-12	17,299,509	12,653,254	4,646,255	1,266,372	1,129,094	1.9
2010-11	17,355,946	13,314,085	4,041,861	992,767	900,181	2.1
2009-10	17,588,600	12,813,050	4,775,550	958,001	944,510	2.5
2008-09	18,879,041	11,917,131	6,961,910	928,837	980,134	3.6
2007-08	19,107,236	12,874,867	6,232,369	756,639	957,138	3.6
2006-07	18,754,662	11,989,220	6,765,442	570,000	715,943	5.3
2005-06	17,578,947	11,200,223	6,378,724	560,000	627,944	5.4
2004-05	15,882,462	11,137,654	4,744,808	530,000	652,316	4.0
2003-04	15,124,585	9,503,841	5,620,744	-	-	-

Water Enterprise Fund

Fiscal Year	Gross Revenues(3)	Less: Operating Expenses (1)	Net Available Revenues	Principal	Debt Service Interest (2)	Coverage Ratio(s) (4)
2012-13	11,006,155	8,279,033	2,727,122	801,007	194,085	2.7
2011-12	10,181,286	7,727,104	2,454,182	868,357	204,168	2.3
2010-11	10,061,880	7,947,365	2,114,515	837,336	253,373	1.9
2009-10	10,144,870	7,744,865	2,400,005	801,913	277,603	2.2
2008-09	11,390,595	7,912,533	3,478,062	767,054	312,143	3.2
2007-08	11,475,241	8,121,487	3,353,754	827,779	347,622	2.9
2006-07	11,253,386	6,888,596	4,364,790	915,827	398,790	3.3
2005-06	10,611,808	6,235,725	4,376,083	866,450	518,846	3.2
2004-05	9,692,833	6,179,885	3,512,948	764,614	500,764	2.8
2003-04	9,346,928	7,253,281	2,093,647	781,781	540,489	1.6

SOURCE: South Tahoe Public Utility District Finance Department

Notes:

(1) Excludes depreciation and amortization. Includes other nonoperating expenses.

(2) Interest expense includes both amounts expensed and capitalized.

(3) See Note F to the Financial Statements for details on the revenue pledges for each debt obligation.

(4) Most of the District's covenants require at least a 1.2 coverage ratio.

S T P U D
Capital Spending
 Last Ten Fiscal Years

Fiscal Year	Total	Sewer Enterprise Fund	Water Enterprise Fund
2012-13	\$ 6,141,142	\$ 3,777,444	\$ 2,363,698
2011-12	15,335,954	10,117,597	5,218,357
2010-11	16,143,981	6,968,467	9,175,514
2009-10	13,780,961	3,642,667	10,138,294
2008-09	15,337,413	8,150,094	7,187,319
2007-08	10,908,357	5,165,166	5,743,191
2006-07	21,744,381	10,878,231	10,866,150
2005-06	15,891,735	3,276,428	12,615,307
2004-05	15,647,141	10,308,824	5,338,317
2003-04	16,925,284	11,078,392	5,846,892
	\$147,856,349	\$73,363,310	\$74,493,039

SOURCE: South Tahoe Public Utility District Finance Department

Note: Capital spending , less asset deletions, ties to the change in Capital Assets on the Balance Sheet.

Capital Asset Statistics By Function / Program
 Last Four Fiscal Years

Fiscal Year	Sewer Lines (miles)	Sewer Treatment Capacity (million gallons)	Water Lines (miles)	Fire Hydrants	Water Storage Capacity (million gallons)
2012-13	336	7.7	254	1,693	9.3
2011-12	336	7.7	253	1,672	9.3
2010-11	336	7.7	253	1,656	9.3
2009-10	313	7.7	251	1,653	9.2

SOURCE: South Tahoe Public Utility District Engineering Department

Note: The District began collecting this data in fiscal year 2009-10

S T P U D
Detail Of Capital Spending
Fiscal Year Ending June 30, 2013

Project Description	Spending 2012-13	Spending To 6-30-13	Completion Date
<i>Sewer Projects:</i>			
Collection System Master Plan	\$ -	\$ 788,756	In progress
Replace ERB Liner	5,728	1,451,249	6/30/2013
DVR Irrigation Improvements Project	407,918	1,111,821	In progress
BMP Projects	5,525	188,008	In progress
Cathodic Protection	3,570	385,492	In progress
C-Line Re-route	-	236,334	In progress
Rehab Filters Project	21,682	1,415,884	6/30/2013
Recycled Water Master Plan/E.I.R.	-	2,065,516	In progress
Headworks Improvement Project	2,209,855	12,705,423	In progress
Concrete Rehab	196,025	196,025	In progress
Various Purchases/Projects Completed	641,245	1,206,382	Various
Various Projects in Progress	285,896	1,007,789	In progress
Total Sewer Projects	\$ 3,777,444	\$22,758,679	
<i>Water Projects:</i>			
Pioneer Trail Waterline	191,794	191,794	In progress
Trout Creek Erosion Control Project	-	405,199	In progress
Ralph Tank Site Restoration	16,954	124,691	6/30/2013
Cold Creek Filter Plan Site Restoration	30,113	580,844	6/30/2013
Cathodic Protection	7,121	119,653	In progress
Bal Bijou Waterline Replacement/Erosion Ctrl.	407,416	434,318	6/30/2013
Tank Coatings	443,180	902,266	In progress
Wildwood Waterline	566,625	1,946,538	6/30/2013
BMP Projects	37,033	288,431	In progress
Water System Optimization Plan	-	144,250	In progress
Various Purchases/Projects Completed	32,394	3,018,026	Various
Various Projects in Progress	631,068	987,539	In progress
Total Water Projects	\$ 2,363,698	\$ 9,143,549	
Total All Projects	\$ 6,141,142	\$31,902,228	

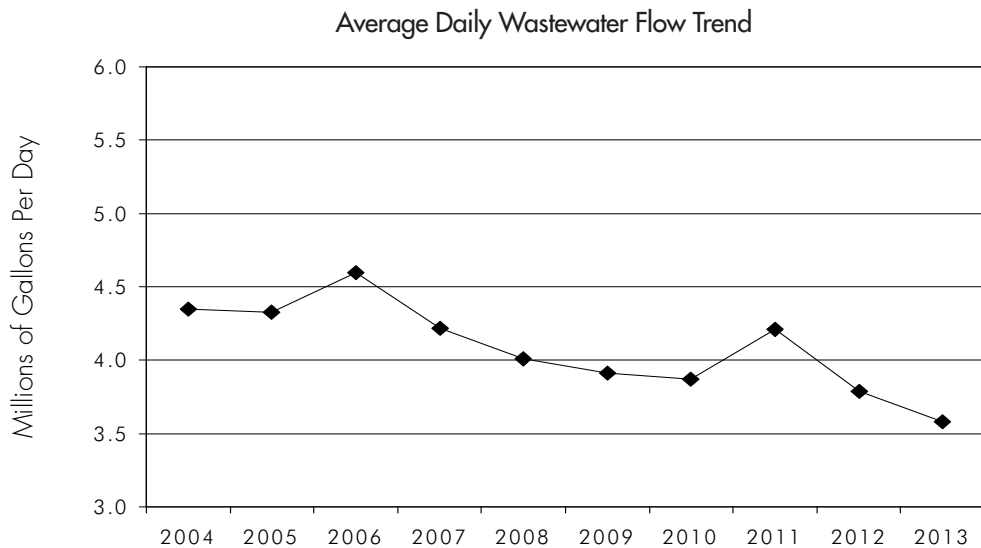
SOURCE: South Tahoe Public Utility District Finance Department

Note: Capital spending, less asset deletions, ties to the change in Capital Assets on the Balance Sheet.

STPUD
Wastewater Flows
 Last Ten Fiscal Years
 (In Million Gallons)

Monthly Flow	12-13	11-12	10-11	09-10	08-09	07-08	06-07	05-06	04-05	03-04
July	127	148	135	140	143	139	154	151	146	143
August	117	130	124	130	134	132	142	141	140	152
September	100	110	109	113	112	115	125	120	119	124
October	92	104	103	105	106	108	122	114	114	119
November	92	99	100	97	100	104	115	108	111	113
December	122	110	141	114	115	120	128	148	131	134
January	120	110	135	120	123	125	133	159	130	141
February	107	105	119	112	108	120	126	147	122	134
March	119	126	144	124	131	140	136	157	149	149
April	101	118	153	120	113	120	121	161	139	127
May	103	111	137	119	121	117	118	140	144	123
June	107	113	137	117	119	121	120	134	136	129
Total Annual Flow	1,307	1,384	1,537	1,411	1,425	1,461	1,540	1,680	1,581	1,588
Average Monthly Flow	109	115	128	118	119	122	128	140	132	132
Average Daily Flow	3.58	3.79	4.21	3.87	3.90	4.00	4.22	4.60	4.33	4.35

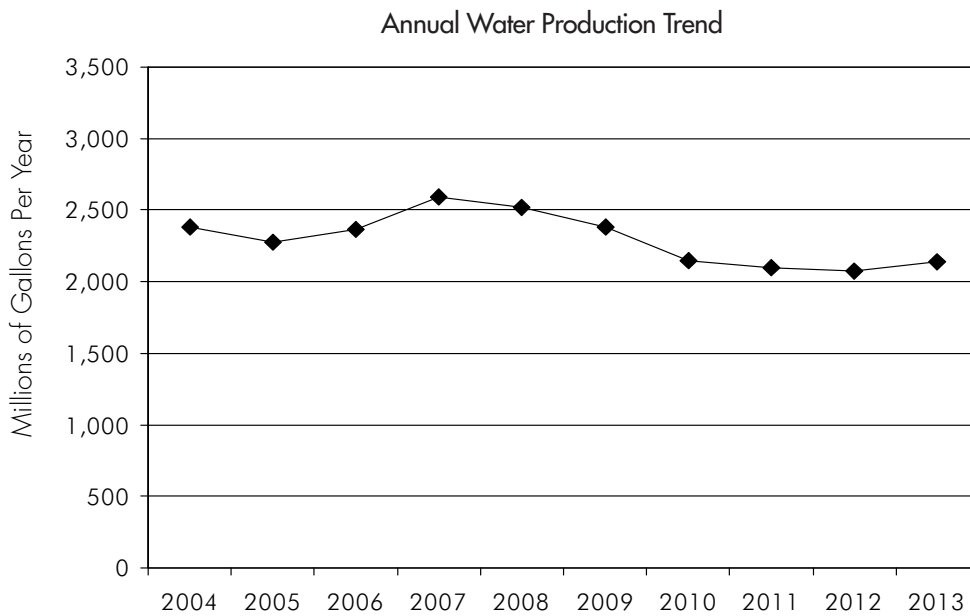
SOURCE: South Tahoe Public Utility District Laboratory Department



S T P U D
Water Production
 Last Ten Fiscal Years
 (In Million Gallons)

Monthly Production	12-13	11-12	10-11	09-10	08-09	07-08	06-07	05-06	04-05	03-04
July	306	285	329	329	361	381	350	346	327	327
August	296	289	320	307	355	381	343	328	325	285
September	240	232	267	268	294	280	276	251	259	239
October	160	139	147	147	178	164	167	167	186	189
November	104	107	120	122	116	118	119	122	130	133
December	128	132	138	157	152	162	176	153	160	148
January	138	122	127	136	141	149	183	137	131	143
February	107	101	105	99	111	118	132	121	118	134
March	104	99	113	106	110	123	135	134	126	125
April	114	107	99	100	111	118	132	119	114	140
May	198	210	133	128	209	219	245	199	152	233
June	240	251	203	244	243	304	331	285	249	284
Annual Totals	2,135	2,074	2,101	2,143	2,381	2,517	2,589	2,362	2,277	2,380
Average Monthly Water Production	178	173	175	179	198	210	216	197	190	198
Average Daily Water Production	5.85	5.68	5.76	5.87	6.52	6.90	7.09	6.47	6.24	6.50

SOURCE: South Tahoe Public Utility District Laboratory Department



S T P U D
Demographic Statistics
 Last Ten Years

Fiscal Year	District Workforce (5)(8)	Total Workforce So. Lake Tahoe (4)	Unemployment Rate So. Lake Tahoe (4)(7)	School Enrollment (3)(9)	District Population (1)(2)	Per Capita Income (6)(10)	Personal Income (in thousands) (6)(10)
2012-13	111	15,096	11.44%	3,793	36,363	\$27,341	\$ 994,201
2011-12	111	15,379	14.20%	3,858	36,177	\$27,047	\$ 978,479
2010-11	113	15,247	16.47%	3,878	35,900	\$25,808	\$ 926,507
2009-10	115	15,684	17.10%	3,966	35,769	\$26,064	\$ 932,283
2008-09	116	15,752	16.02%	4,076	38,275	\$27,135	\$1,038,592
2007-08	113	15,969	9.25%	4,184	38,038	-	-
2006-07	113	15,874	6.87%	4,291	37,602	-	-
2005-06	113	15,129	5.71%	4,520	37,484	-	-
2004-05	112	14,977	6.38%	4,771	37,324	-	-
2003-04	111	17,574	6.87%	5,083	37,250	-	-

SOURCES:

- (1) California Department of Finance for city residents
- (2) South Tahoe Public Utility District Finance Department estimate (represents the Montgomery Estates, Tahoe Paradise, Meyers, Angora Highlands, Fallen Leaf Lake, and Christmas Valley portions of El Dorado County) using the most recent census data
- (3) Lake Tahoe Unified School District
- (4) California Employment Development Department
- (5) South Tahoe Public Utility District Human Resources Department
- (6) California Municipal Statistics, Inc.

Notes:

- (7) Figures are not seasonally adjusted
- (8) All workforce figures are based on full-time equivalents
- (9) Declining school enrollment is due to increases in home ownership by part-time residents
- (10) The District began collecting this data in fiscal year 2008-09

S T P U D
Acknowledgments

Special thanks go to Tim Bledsoe, Jeri Callian, Debbie Henderson, Paul Hughes, Susan Rasmussen, Theresa Sherman, and the Laboratory Department.

This Comprehensive Annual Financial Report has been prepared by the Finance Department.



S T P U D



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