



Financial Statements and Report of Independent
Certified Public Accountants

South Tahoe Public Utility District

June 30, 2014

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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, 2014, 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 an 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, 2014, 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 5 through 11 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.

Supplementary information

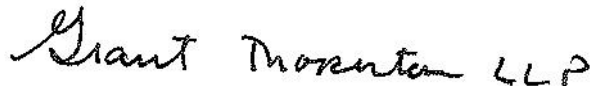
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The schedule of expenditures of federal awards, as required by the U.S. Office of Management and Budget Circular A133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Report on 2013 summarized comparative information

We have previously audited the District's 2013 basic financial statements (not presented herein), and we expressed an unmodified audit opinion on the respective basic financial statements in our report dated November 14, 2013. In our opinion, the accompanying summarized comparative information as of and for the year ended June 30, 2013 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 12, 2014, 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 12, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

South Tahoe Public Utility District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended June 30, 2014

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 \$72 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 2013-14, the District continued the replacement program, and a total of \$5.7 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 2014:

Project Area	Total Lineal Feet	Spent as of June 30, 2014	Estimate to Complete
Saddle/Keller Waterline	5,280	\$ 221,914	\$1,678,086
State Streets (A) Waterline	6,271	2,519,533	2,580,467
Sierra Tract (S) Waterline	3,540	935,178	-

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. Through the end of 2013/14, an additional 3,500 meters have been installed. This meter installation phase increased the portion of the water system metered to approximately 43%.

The District continues to expend funds for work related to 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 2012-13 remaining settlement funds of \$.4 million were fully expended in 2013-14.

The Sewer Enterprise Fund also continues investing in its infrastructure. In fiscal year 2013-14 \$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 \$.6 million or .3%.
- During the year more than \$8 million was invested in sewer and water infrastructure.
- The Sewer and Water Enterprise Funds' income is \$804,888 and (\$871,600), respectively.
- Operating revenue is up 3.1% due to an increase in residential and commercial development.
- Operating expenses are up 1.9% but came in 4.9% under budget.

South Tahoe Public Utility District

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

For the year ended June 30, 2014

Financial Highlights - Continued

- In fiscal year 2013-14, the District was awarded competitive grants totaling more than \$.4 million, following more than \$1.6 million awarded in 2012-13. 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.

	<u>Net Position</u> <i>(in thousands)</i>			
	June 30,			
	2014	2013	Change	Change
Current and other	\$ 47,179	\$ 48,687	(\$ 1,508)	(3.1%)
Restricted MTBE settlement funds	-	381	(381)	(100.0%)
Capital assets	203,899	203,340	559	0.3%
Total assets	<u>\$ 251,078</u>	<u>\$ 252,408</u>	<u>\$ (1,330)</u>	<u>(0.5%)</u>
Total deferred in flows	<u>\$ 368,095</u>	<u>\$ 414,994</u>	<u>\$ (46,899)</u>	<u>(11.3%)</u>
Debt outstanding	\$ 35,964	\$ 39,342	(\$ 3,378)	(8.6%)
Other liabilities	15,238	13,873	1,365	9.8%
Total liabilities	<u>\$ 51,202</u>	<u>\$ 53,215</u>	<u>\$ (2,013)</u>	<u>(3.8%)</u>
Invested in capital assets, net of related debt	\$ 172,912	\$ 171,826	\$ 1,086	0.7%
Restricted for MTBE costs	-	381	(381)	(100.0%)
Restricted for security Deposits	165	275	(110)	(40.0%)
Restricted of capital asset Purchases	4,090	7,120	(3,030)	(42.6%)
Unrestricted	23,077	20,006	3,071	15.4%
Total net position	<u>\$ 200,244</u>	<u>\$ 199,608</u>	<u>\$ 636</u>	<u>0.3%</u>

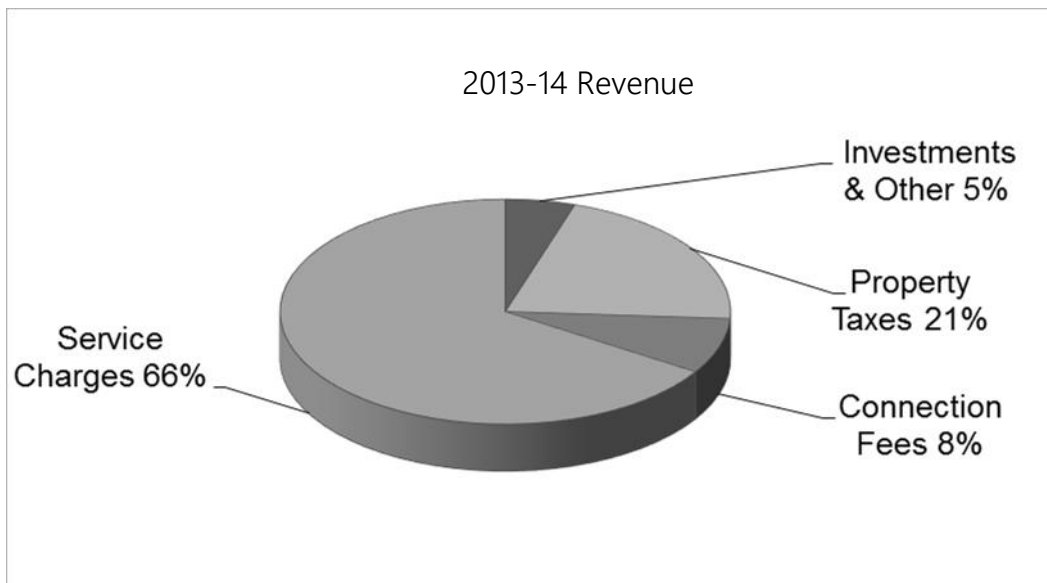
South Tahoe Public Utility District

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

For the year ended June 30, 2014

Revenue and Expenses

The District finances sewer and water operations through user charges, property tax receipts, and other income. Total revenue for fiscal year 2013-14 is \$30.2 million, a \$1.3 million or 4.3% increase from the prior year. The 2014 service charge revenue is flat compared to the prior year, reflecting no change in sewer rates and water rates. Connection fees are up \$744,000 or 42.9% due to an increase of both commercial and residential development. Property tax revenue is up slightly at \$195,000 or 3.2%, compared to the prior year. El Dorado County estimates that property tax collections will be up approximately 4.0% for 2014-15 due to a slight increase in assessed values. Investment and other income is up compared to the prior year due to rate increases and fluctuations in miscellaneous income categories.



Revenues
(in thousands)

	June 30,		Change	Change
	2014	2013		
Service charges	\$ 19,858	\$ 19,905	\$ (47)	(0.2%)
Connection fees	2,477	1,733	744	42.9%
Other	386	396	(10)	2.5%
Total operating revenue	22,721	22,034	687	3.1%
Property taxes	6,363	6,168	195	3.2%
Investments	217	147	70	47.6%
Other	905	600	305	50.8%
Total non-operating revenue	7,485	6,915	570	8.2%
Total revenue	<u>\$ 30,206</u>	<u>\$ 28,949</u>	<u>\$ 1,257</u>	<u>4.3%</u>

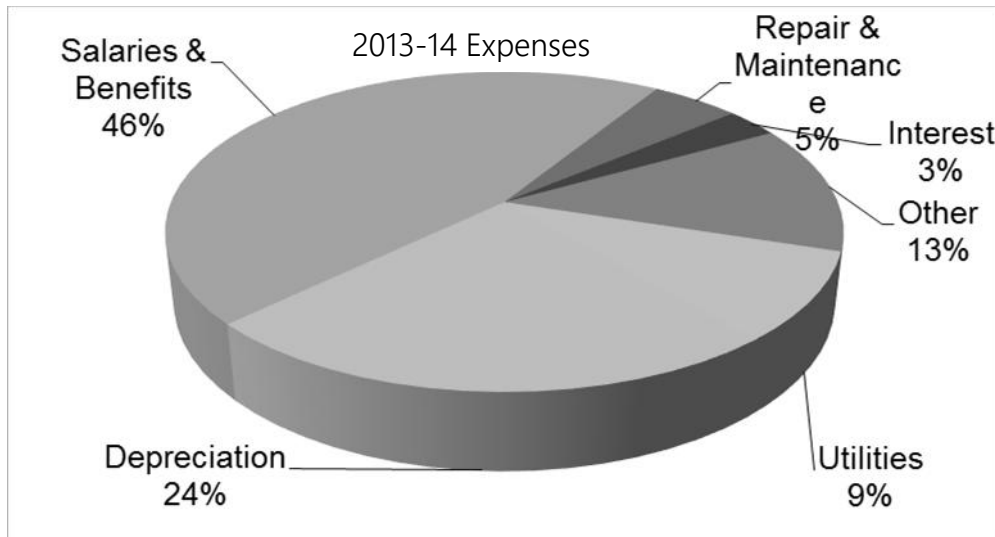
South Tahoe Public Utility District

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

For the year ended June 30, 2014

Revenue and Expenses - Continued

Total operating expenses for the current year are \$29.1 million, up \$.6 million from the prior year. Salaries and benefits are down \$.2 million or 1.2%. 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 Balance Sheet. The amount of capitalized labor for fiscal year 2014 was \$628,000 compared to \$772,000 in the prior year. When comparing salary and benefit totals year-to-year including the capitalized amounts, the 2014 decrease from the prior year was \$319,000 or 2.3%. The decrease was due to a change of the District's health insurance plan. Beginning January 1, 2013, the District moved to a fully insured Blue Cross health plan which will create substantial savings compared to the previous self-insured plan. The increase in other operating expenses is due to utilization of outside professional services for specified District projects. Interest expense is down due to one-time payments in the prior related to debt refinancings.



Expenses
(in thousands)

	June 30,		Change	Change
	2014	2013		
<u>Operating expenses:</u>				
Salaries and benefits	\$ 13,868	\$ 14,042	\$ (174)	(1.2%)
Depreciation	7,267	7,176	91	1.3%
Utilities	2,683	2,747	(64)	(2.3%)
Repair and maintenance	1,488	1,427	61	4.3%
Other	3,774	3,135	639	20.4%
Total operating expenses	<u>29,080</u>	<u>28,527</u>	<u>553</u>	<u>1.9%</u>
<u>Non-operating expenses:</u>				
Interest expense	879	1,285	(406)	(31.6%)
Other	312	229	83	36.2%
Total non-operating expenses	<u>1,191</u>	<u>1,514</u>	<u>(323)</u>	<u>21.3%</u>
Total expenses	<u>\$ 30,271</u>	<u>\$ 30,041</u>	<u>\$ 230</u>	<u>0.8%</u>

South Tahoe Public Utility District

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

For the year ended June 30, 2014

Revenue and Expenses - Continued

The fiscal year 2013-14 income (loss) before capital contributions is (\$.1) million as compared to the budgeted income (loss) of (\$3.2) million and the actual prior year income (loss) of (\$1.1) million. Although income before contributions was a loss, capital contributions remained strong resulting in a positive change in net position of \$.6 million.

Changes in Net Position
(in thousands)

	June 30,		Change	Change
	2014	2013		
Beginning net position	\$ 199,608	\$ 199,447	\$ 161	0.1%
Loss before contributions	(67)	(1,091)	1,024	93.9%
Capital contributions	703	1,252	(549)	(43.8%)
Changes in net position	636	161	475	297.5%
Ending net position	\$ 200,244	\$ 199,608	\$ 636	0.3%

Capital Assets

The District's investment in its sewer and water systems is \$204 million at the end of the fiscal year net of depreciation. During the year, more than \$8 million was spent on new infrastructure and equipment. \$5.6 million was spent on water system improvements. As noted in the highlights, new waterlines improve system reliability, water pressure, and fire flow capability. \$2.5 was invested in sewer system improvements including treatment upgrades, line protection and recycled effluent projects.

Capital Assets
(net of depreciation, in thousands)

	Sewer		Water		Total	
	2014	2013	2014	2013	2014	2013
Land and easements	\$ 22,843	\$ 22,843	\$ 1,903	\$ 1,903	\$ 24,746	\$ 24,746
Water rights	-	-	1,668	1,668	1,668	1,668
Plant and equipment	87,564	78,200	77,512	78,338	165,076	156,538
Construction in progress	7,231	18,707	5,178	1,681	12,409	20,388
Total	\$117,638	\$119,750	\$ 86,261	\$ 84,039	\$203,899	\$203,340

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

South Tahoe Public Utility District

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

For the year ended June 30, 2014

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-. At year-end, the District had \$36.0 million in installment sales and loans outstanding as detailed below. As always, grant opportunities and low-interest subsidized loans are pursued by the District.

Outstanding Debt at Year End
(in thousands)

	June 30,	
	2014	2013
<u>Sewer Enterprise Fund:</u>		
California State Revolving Loan Fund (secured by sewer revenue)	\$ 2,279	\$ 2,384
California State Revolving Loan Fund (secured by sewer revenue)	875	902
California State Revolving Loan Fund (secured by sewer revenue)	1,214	1,266
Installment Sale Agreement (secured by sewer revenue)	5,943	6,182
Installment Sale Agreement (secured by sewer revenue)	9,423	10,208
Loan Agreement (secured by sewer revenue)	7,861	8,040
	<hr/>	<hr/>
Total sewer enterprise fund	27,595	28,982
<u>Water Enterprise Fund:</u>		
Installment Sale Agreement (secured by water revenue)	8,369	10,000
	<hr/>	<hr/>
Total water enterprise fund	8,369	10,000
	<hr/>	<hr/>
Total debt	<u>\$ 35,964</u>	<u>\$ 38,982</u>

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

BASIC FINANCIAL STATEMENTS

South Tahoe Public Utility District

**STATEMENT OF NET POSITION
Proprietary Funds**

June 30, 2014

(With comparative totals for June 30, 2013)

ASSETS AND DEFERRED OUTFLOW OF RESOURCES	Business-type Activities		Total	
	Enterprise Funds		2014	2013
	Sewer	Water		
Current assets:				
Cash and cash equivalents	\$ 10,656,934	\$ 968,447	\$ 11,625,381	\$ 10,810,514
Investments	594,470	306,242	900,712	2,676,882
Accounts receivable, net of allowance for doubtful accounts	439,668	1,864,938	2,304,606	2,204,583
Due from governmental agencies	56,641	608,905	665,546	1,086,021
Property tax receivable	6,407,605	-	6,407,605	6,011,327
Other current assets	322,056	725,081	1,047,137	1,143,122
Total current assets	18,477,374	4,473,613	22,950,987	23,932,449
Noncurrent assets:				
Restricted assets:				
Cash and cash equivalents	462,818	4,089,562	4,552,380	7,500,436
Certificate of deposit	50,000	115,000	165,000	275,000
Total restricted assets	512,818	4,204,562	4,717,380	7,775,436
Long-term accounts receivable	607,555	-	607,555	436,664
Due from governmental agencies, net of allowance for doubtful accounts	87,942	87,942	175,884	175,884
Investments	12,359,784	6,367,161	18,726,945	16,748,092
Capital assets	207,006,312	119,462,562	326,468,874	323,736,493
Less accumulated depreciation	(89,368,536)	(33,201,251)	(122,569,787)	(120,396,742)
Total capital assets	117,637,776	86,261,311	203,899,087	203,339,751
Total noncurrent assets	131,205,875	96,920,976	228,126,851	228,475,827
Total assets	149,683,249	101,394,589	251,077,838	252,408,276
DEFERRED OUTFLOWS OF RESOURCES				
Refunding loan costs	309,442	58,653	368,095	414,994
LIABILITIES				
Current liabilities:				
Accounts payable	692,654	2,123,395	2,816,049	1,038,563
Unearned revenue	7,031,300	726,614	7,757,914	8,083,779
Accrued expenses	34,588	1,083,482	1,118,070	1,288,667
Accrued interest payable	326,732	94,990	421,722	333,040
Compensated absences - current	629,876	439,118	1,068,994	1,006,646
Long-term debt - current	1,744,996	1,099,223	2,844,219	3,385,270
Total current liabilities	10,460,146	5,566,822	16,026,968	15,135,965
Noncurrent liabilities:				
Compensated absences	1,214,307	841,322	2,055,629	2,122,537
Long-term debt	25,849,408	7,269,961	33,119,369	35,956,951
Total noncurrent liabilities	27,063,715	8,111,283	35,174,998	38,079,488
Total liabilities	37,523,861	13,678,105	51,201,966	53,215,453
NET POSITION				
Invested in capital assets, net of related debt	91,042,123	81,869,812	172,911,935	171,826,113
Restricted for MTBE costs	-	-	-	380,322
Restricted for security deposits	30,000	135,000	165,000	275,000
Restricted for capital asset purchases	-	4,089,561	4,089,561	7,120,114
Unrestricted	21,396,707	1,680,764	23,077,471	20,006,268
Total net position	112,468,830	87,775,137	200,243,967	199,607,817

The accompanying notes are an integral part of this statement.

South Tahoe Public Utility District
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Proprietary Funds

For the year ended June 30, 2014
(With comparative totals for the year ended June 30, 2013)

	Business-type Activities		Total	
	Enterprise Funds		2014	2013
	Sewer	Water		
Operating revenues:				
Charges for sales and services:				
Service charges	\$ 10,562,647	\$ 9,295,089	\$ 19,857,736	\$ 19,905,104
Connection and service fees	1,861,800	615,327	2,477,127	1,732,924
Other operating income	172,694	212,967	385,661	396,604
Total operating revenues	<u>12,597,141</u>	<u>10,123,383</u>	<u>22,720,524</u>	<u>22,034,632</u>
Operating expenses:				
Salaries, wages and employee benefits	8,431,513	5,436,710	13,868,223	14,041,923
Depreciation	4,407,514	2,858,863	7,266,377	7,175,923
Utilities	1,950,710	732,610	2,683,320	2,746,641
Repairs and maintenance	693,129	795,150	1,488,279	1,427,598
Other operating expenses	1,961,247	1,812,857	3,774,104	3,135,358
Total operating expenses	<u>17,444,113</u>	<u>11,636,190</u>	<u>29,080,303</u>	<u>28,527,443</u>
Operating loss	<u>(4,846,972)</u>	<u>(1,512,807)</u>	<u>(6,359,779)</u>	<u>(6,492,811)</u>
Nonoperating revenues (expenses):				
Tax revenue	6,336,425	26,212	6,362,637	6,167,800
Investment earnings	142,507	74,191	216,698	146,637
Aid from governmental agencies	43,311	496,313	539,624	317,492
Other nonoperating income	109,196	256,327	365,523	282,581
Interest expense	(698,101)	(181,297)	(879,398)	(1,284,731)
Other expense	(281,478)	(30,540)	(312,018)	(228,814)
Total nonoperating revenues	<u>5,651,860</u>	<u>641,206</u>	<u>6,293,066</u>	<u>5,400,965</u>
Income (loss) before contributions	804,888	(871,601)	(66,713)	(1,091,846)
Capital contributions	<u>121,881</u>	<u>580,982</u>	<u>702,863</u>	<u>1,252,318</u>
INCREASE (DECREASE) IN NET POSITION	926,769	(290,619)	636,150	160,472
Net position at beginning of year	<u>111,542,061</u>	<u>88,065,756</u>	<u>199,607,817</u>	<u>199,447,345</u>
Net position at end of year	<u>\$ 112,468,830</u>	<u>\$ 87,775,137</u>	<u>\$ 200,243,967</u>	<u>\$ 199,607,817</u>

The accompanying notes are an integral part of this statement.

South Tahoe Public Utility District

**STATEMENT OF CASH FLOWS
Proprietary Funds**

**For the year ended June 30, 2014
(With comparative totals for the year ended June 30, 2013)**

	Business-type Activities		Total	
	Enterprise Funds		2014	2013
	Sewer	Water		
Cash flows from operating activities:				
Cash received from customers	\$ 11,822,305	\$ 9,915,779	\$ 21,738,084	\$ 22,193,622
Other income	172,694	212,967	385,661	396,604
Cash paid to employees for services	(8,429,964)	(5,442,819)	(13,872,783)	(13,910,783)
Cash paid to suppliers	(5,088,190)	(3,170,453)	(8,258,643)	(7,041,465)
Cash (used in) provided by operating activities	(1,523,155)	1,515,474	(7,681)	1,637,978
Cash flows from non-capital financing activities:				
Tax revenue	5,940,147	26,212	5,966,359	5,997,192
Payments from governmental agencies	83,444	1,209,613	1,293,057	2,300,649
Cash provided by non-capital financing activities	6,023,591	1,235,825	7,259,416	8,297,841
Cash flows from capital and related financing activities:				
Purchase of capital assets	(2,117,656)	(3,868,798)	(5,986,454)	(7,703,523)
Repayment of debt	(1,747,817)	(1,630,816)	(3,378,633)	(23,399,571)
Proceeds from issuance of debt	-	-	-	28,296,533
Interest paid on notes payable	(651,926)	(194,788)	(846,714)	(990,526)
Contributed capital	121,881	580,982	702,863	1,252,318
Cash used in capital and related financing activities	(4,395,518)	(5,113,420)	(9,508,938)	(2,544,769)
Cash flows from investing activities:				
Interest and dividends on investments	114,523	60,233	174,756	276,641
Purchase of investments	(4,290,000)	(2,210,000)	(6,500,000)	(13,985,684)
Proceeds from sale of investments	4,636,537	1,812,721	6,449,258	17,925,000
Cash provided by (used in) investing activities	461,060	(337,046)	124,014	4,215,957
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	565,978	(2,699,167)	(2,133,189)	11,607,007
Cash and cash equivalents, beginning (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
Cash and cash equivalents, ending (including \$462,818 and \$4,089,562 reported in restricted assets for sewer and water, respectively)	\$ 11,119,752	\$ 5,058,009	\$ 16,177,761	\$ 18,310,950

South Tahoe Public Utility District

STATEMENT OF CASH FLOWS - CONTINUED
Proprietary Funds

For the year ended June 30, 2014
(With comparative totals for the year ended June 30, 2013)

	Business-type Activities		Total	
	Enterprise Funds			
	Sewer	Water	2014	2013
Reconciliation of operating loss to cash provided by operating activities:				
Operating loss	\$ (4,846,972)	\$ (1,512,807)	\$ (6,359,779)	\$ (6,492,811)
Adjustments to reconcile operating loss to cash (used in) provided by operating activities:				
Depreciation and amortization	4,407,514	2,858,863	7,266,377	7,175,923
(Increase) decrease in accounts receivable	(397,144)	126,230	(270,914)	258,271
(Increase) decrease in other assets	87,841	8,144	95,985	(126,987)
Increase (decrease) in accounts payable	(332,774)	94,446	(238,328)	295,864
Increase (decrease) in unearned revenue	(204,998)	(120,867)	(325,865)	297,323
Increase (decrease) in other payables	(236,622)	61,465	(175,157)	230,395
	<u>\$ (1,523,155)</u>	<u>\$ 1,515,474</u>	<u>\$ (7,681)</u>	<u>\$ 1,637,978</u>
Cash (used in) provided by operating activities				
Non-cash capital and related financing activities:				
Capital assets included in accounts payable	<u>\$ 210,649</u>	<u>\$ 1,583,735</u>	<u>\$ 1,794,384</u>	<u>\$ 221,430</u>
Non-cash investing activities:				
Increase in fair value of investments	<u>\$ 27,984</u>	<u>\$ 13,958</u>	<u>\$ 41,942</u>	<u>\$ 130,004</u>

The accompanying notes are an integral part of this statement.

South Tahoe Public Utility District
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

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.

South Tahoe Public Utility District

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2014

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 or more. 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.

South Tahoe Public Utility District

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2014

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.

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.

13. Operating and Non-operating Revenues

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.

South Tahoe Public Utility District

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 March 2012, the Governmental Accounting Standards Board (the "GASB") issued authoritative guidance related to accounting and financial reporting for items that were previously reported as assets and liabilities. This Statement, GASB 65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. Items to be reclassified include debt issuance costs and loan origination costs and fees. The guidance is effective for the first annual reporting period beginning after December 15, 2012, with early adoption permitted. The District adopted the guidance in fiscal year 2014. The implementation of GASB 65 resulted in our recording deferred inflow of resources related to debt refinancing of \$368,095 and \$414,994 as of June 30, 2014 and 2013, respectively. In addition, opening net assets decreased by \$278,127 related to the changes in accounting treatment of loan fees.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68), which improves accounting and financial reporting by state and local governments for pensions. This statement supersedes GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers*, as well as Statement No. 50, *Pension Disclosures*. GASB 68 is effective for fiscal years beginning after December 15, 2014. The anticipated impact of this pronouncement is uncertain at this time.

South Tahoe Public Utility District

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2014

NOTE B - CASH AND INVESTMENTS

Cash and investments as of June 30, 2014 consist of the following:

<u>Cash and cash equivalents:</u>	
Unrestricted:	
Cash on hand	\$ 2,250
Unrestricted deposits in financial institutions	1,979,170
Deposits in El Dorado County Treasury	276,577
Deposits in California Asset Management Program (CAMP)	119,663
Deposits in Local Agency Investment Fund (LAIF)	9,247,721
	11,625,381
Restricted:	
Deposits CAMP	462,818
Restricted deposits in financial institutions	4,089,562
	4,552,380
<u>Investments:</u>	
Unrestricted:	
Agency notes	13,036,645
Corporate notes	3,991,224
Certificates of deposit	2,599,788
	19,627,657
Restricted:	
Certificates of deposit	165,000
	165,000
Total cash and investments	\$ 35,970,418

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	5 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

South Tahoe Public Utility District

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2014

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	\$ 8,835,770	\$ 7,076,693	\$ 1,759,077	\$ -
Pooled investment funds	10,106,779	10,106,779	-	-
Agency notes	13,036,645	-	9,109,440	3,927,205
Corporate notes	3,991,224	-	1,739,424	2,251,800
	<u>\$ 35,970,418</u>	<u>\$ 17,183,472</u>	<u>\$12,607,941</u>	<u>\$ 6,179,005</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	\$ -	\$2,199,657	\$ -	\$ -	\$ 400,132	\$ -	\$ 6,235,981
Pooled investment Funds	-	-	-	-	-	-	10,106,779
Agency notes	13,036,645	-	-	-	-	-	-
Corporate notes	1,472,117	-	476,793	216,184	1,675,773	150,358	-
	<u>\$14,508,762</u>	<u>\$2,199,657</u>	<u>\$476,793</u>	<u>\$216,184</u>	<u>\$2,075,905</u>	<u>\$150,358</u>	<u>\$16,342,760</u>

South Tahoe Public Utility District

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2014

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, is U.S. Treasury 55%.

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 \$6,297,933 as of June 30, 2014, in financial institutions are secured by federal depository insurance for \$665,000 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 2014. LAIF does invest in structured notes and asset-based securities.

South Tahoe Public Utility District
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
June 30, 2014

NOTE C - CAPITAL ASSETS

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

	July 1, 2013	Additions	Deletions	June 30, 2014
<u>Capital assets not being depreciated:</u>				
Land and easement	\$ 24,745,627	\$ -	\$ -	\$ 24,745,627
Water rights	1,668,308	-	-	1,668,308
Construction in progress	20,388,015	5,995,561	(13,974,288)	12,409,288
Total capital assets not being depreciated	46,801,950	5,995,561	(13,974,288)	38,823,223
<u>Capital assets being depreciated:</u>				
Plant and equipment	276,934,543	16,007,447	(5,296,339)	287,645,651
Less: Accumulated depreciation	(120,396,742)	(7,266,377)	5,093,332	(122,569,787)
Total capital assets being depreciated, net	156,537,801	8,741,070	(203,007)	165,075,864
Capital assets, net	\$203,339,751	\$14,736,631	\$(14,177,295)	\$203,899,087

Depreciation expense for the year ended June 30, 2014 totaled \$7,266,377.

Construction in progress as of June 30, 2014 consisted of the following:

Alpine County Master Plan	\$ 1,295,525
Angora Creek Sewerline	502,805
Bijou Sewerline Relocation	147,532
Bijou Waterline Relocation	248,873
BMP Projects, Sewer	171,597
BMP Projects, Water	200,703
C-Line Energy Generation	171,201
C-line Evaluation	130,612
C-Line Re-route	236,334
Collection Sys Master Plan	788,756
Concrete Coating	187,101
DVR Emergency Storage Basin	146,188
DVR Environmental Impact Report	769,991
DVR Irrigation Improvements	1,300,495
DVR Nutrient Mgmt.	84,867
Fallen Leaf Lake Upgrades	142,589
Luther Pass PS Power Controls	158,289
Meeting Projects	832,316
Primary Clarifier #2	94,174
Tahoe Keys force Main Bypass	106,715
Trout Creek Restoration	358,126
Water System Optimization Plan	484,518
Waterline Evaluations	55,813
Waterline, Bowers	46,012
Waterline, Pioneer	329,921
Waterline, Saddle	263,726
Waterline, States	2,751,225
Wildwood Interceptor	294,168
Other	109,116
	<u>\$ 12,409,288</u>

South Tahoe Public Utility District
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
June 30, 2014

NOTE D - ACCOUNTS RECEIVABLE AND AMOUNT DUE FROM GOVERNMENTAL AGENCIES

Short-term receivable at June 30, 2014 consists of the following:

	Sewer	Water
Customer receivables	\$ 310,340	\$ 734,752
Due from Federal Government	13,317	461,924
Due from State Government	30,963	146,981
Due from El Dorado County	12,362	233,781
Other receivables	164,775	927,799
	531,757	2,505,237
Allowance for doubtful accounts	(35,448)	(31,394)
Accounts receivable, net of allowance	\$ 496,309	\$ 2,473,843

Long-term receivable at June 30, 2014 consists of the following:

	Sewer	Water
Other receivables	\$ 607,555	\$ -
Due from State Government	107,942	107,942
	715,497	107,942
Allowance for doubtful accounts	(20,000)	(20,000)
Accounts receivable, net of allowance	\$ 695,497	\$ 87,942

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.

South Tahoe Public Utility District

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2014

NOTE E - CHANGES IN LONG-TERM LIABILITIES

During the year ended June 30, 2014, the following changes occurred in long-term liabilities:

	<u>July 1, 2013</u>	<u>Additions</u>	<u>(Deletions)</u>	<u>June 30, 2014</u>
<u>Long-term liabilities:</u>				
SRF Luther Pass Pump Station	\$ 2,384,034	\$ -	\$ (104,605)	\$ 2,279,429
SRF Headworks	902,484	-	(27,988)	874,496
SRF Emergency Retention Basin	1,265,628	-	(51,856)	1,213,772
11 Sewer Installment Agreement	6,182,265	-	(239,042)	5,943,223
12 Sewer Refunding	10,207,810	-	(784,967)	9,422,843
13 Sewer Refunding	8,400,000	-	(539,359)	7,860,641
13 Water Refunding	10,000,000	-	(1,630,816)	8,369,184
Total debt	<u>\$ 39,342,221</u>	<u>\$ -</u>	<u>\$ (3,378,633)</u>	<u>\$35,963,588</u>
Current debt	<u>\$ 3,385,270</u>			<u>\$ 2,844,219</u>
Long-term debt	<u>\$ 35,956,951</u>			<u>\$33,119,369</u>
Compensated absences	<u>\$ 3,129,183</u>	<u>\$ 1,422,997</u>	<u>\$ (1,427,557)</u>	<u>\$ 3,124,623</u>
Current portion	<u>\$ 1,006,646</u>			<u>\$ 1,068,994</u>
Long-term portion	<u>\$ 2,122,537</u>			<u>\$ 2,055,629</u>

At June 30, 2014, the long-term liabilities are as follows:

	<u>June 30, 2014</u>	<u>Due Within One Year</u>	<u>Long-Term</u>
<u>Long-term liabilities:</u>			
SRF Luther Pass Pump Station	\$ 2,279,429	\$ 107,429	\$ 2,172,000
SRF Headworks	874,496	35,831	838,666
SRF Emergency Retention Basin	1,213,772	53,257	1,160,515
11 Sewer Installment Agreement	5,943,223	247,847	5,695,376
12 Sewer Refunding	9,422,843	803,125	8,619,718
13 Sewer Loan Agreement	7,860,641	497,508	7,363,133
12 Sewer Installment Agreement	8,369,184	1,099,222	7,269,961
Total long-term liabilities	<u>\$ 35,963,588</u>	<u>\$ 2,844,219</u>	<u>\$ 33,119,369</u>
Compensated absences	<u>\$ 3,124,623</u>	<u>\$ 1,068,994</u>	<u>\$ 2,055,629</u>

South Tahoe Public Utility District

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2014

NOTE F - LONG-TERM DEBT

Long-term debt at June 30, 2014 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 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. \$ 8,369,184

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. 2,279,429

2011 California State Water Resources Control Board Revolving Fund loan secured by a first lien against all sewer revenues, due October 15, 2032, payable \$59,442 annually, including interest at 2.7%. The original amount of the debt was \$909,386 and was used for construction of the Headworks Replacement project. 874,496

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. 1,213,772

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. 5,943,223

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 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. 7,860,641

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 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. 9,422,843

Less: Current principal maturities 35,963,588 (2,844,219)

Total long-term notes payable \$ 33,119,369

South Tahoe Public Utility District

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2014

NOTE F - LONG-TERM DEBT - Continued

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

Years ending June 30,	Principal	Interest	Total
2015	\$ 2,844,219	\$ 915,978	\$ 3,760,197
2016	2,398,695	851,347	3,250,042
2017	2,459,125	790,918	3,250,043
2018	2,521,119	728,923	3,250,042
2019	2,584,720	665,322	3,250,042
2020-2024	12,550,395	2,375,036	14,925,431
2025-2029	8,250,059	927,750	9,177,809
2030-2034	2,355,256	110,451	2,465,707
	<u>\$ 35,963,588</u>	<u>\$ 7,365,725</u>	<u>\$ 43,329,313</u>

Interest charged on debt, including amounts capitalized totaling \$125,540 for the year ended June 30, 2014 was \$980,324.

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, 2014.

NOTE G - PENSION PLAN

In 2003, the District joined the California Public Employees Retirement System (PERS), 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 PERS 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 0.90% of the member contributions on behalf of its CalPERS members, with members funding the remaining 7.10% of their annual covered salary for the year ended June 30, 2014. The District funds the actuarially determined remaining amount necessary to fund member benefits. The required employer contribution rate for the year ended June 30, 2014 was 16.201%. 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, 2014, the amount contributed by the District on behalf of the employees was \$76,020. CalPERS members vest immediately in the member contribution and vest in the employer contribution after five years of CalPERS membership.

South Tahoe Public Utility District

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2014

NOTE G - PENSION PLAN - Continued

For the fiscal years ended June 30, 2014, 2013 and 2012, the District's actual annual CalPERS cost of \$1,444,456, \$1,429,218, and \$1,399,012, respectively, was equal to the District's required contributions. The required contributions were determined in a 2012 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, 2012 was 19 years. As of June 30, 2014, the District is participating in the 2.7% at age 55 risk pool and the disclosure below is for that risk pool.

PERS 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
2012	\$2,178,799,770	\$2,680,181,441	\$501,381,651	81.3%	\$417,600,034	120.1%
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%

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 \$17,500.

The 457 Plan assets, totaling \$13,687,226 at June 30, 2014, 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.

South Tahoe Public Utility District

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2014

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 covered medical, dental, and prescription drug benefits. All activity related to the self-insurance program was included in the Sewer and Water Enterprise Funds. As of January 1, 2013, the District's self-insurance program only covered 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. This self-insurance program is for active employees and their dependents. The District has no financial or legal obligation to provide coverage to retired employees. Due to the immateriality of the dental coverage expenses, the District closed the self-insurance fund during fiscal year 2014 and began reporting the expenses directly in the employee benefit accounts of the Sewer and Water Enterprise Funds. The following represents changes in aggregate liabilities for the program during the years ended June 30:

	2014	2013
Unpaid claims and claim adjustment expenses at beginning of year:	\$ 10,117	\$ 195,277
Incurred claims and claim adjustment expenses:		
Provision for insured events of current year	-	1,746,969
Increase in provision for insured events of prior years	-	55,048
Total incurred claims and claim adjustment expenses	-	1,802,017
Payments:		
Claims and claim adjustment expenses attributable to insured events of:		
Current year	-	2,521,400
Prior years	10,117	250,325
Total payments	10,117	2,771,725
Claims reimbursed by excess insurance	-	784,608
Total unpaid claims and claim adjustment expenses at end of year	\$ -	\$ 10,177

South Tahoe Public Utility District
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
June 30, 2014

NOTE J - SELF-INSURANCE - Continued

The components of the unpaid claims liability was as follows as of June 30, 2013:

Claims reserves	\$ 5,173
Incurred but not reported claims	<u>5,004</u>
	<u>\$ 10,177</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 \$82,000. This lease amount is calculated annually by the U.S. Forest Service.

2. Contractual Obligations

At June 30, 2014, the District's significant contractual commitments with outside firms for engineering, construction, consulting, and various other services totaled approximately \$9.9 million.

At June 30, 2014, 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.

South Tahoe Public Utility District

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2014

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, 2014:

Total assets	\$ 27,380,425
Total liabilities	16,302,123
Net assets	11,078,302
Total income	11,265,940
Total expense	12,227,970

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, 2013 (the most recent information available):

Total assets	\$2,057,298,000
Total liabilities	479,000
Net assets	2,056,819,000
Net asset value per share	1
Total income	4,692,000
Total expenses	2,792,000
Net realized gain on investments	69,000
Net increase in net assets resulting from operations	1,969,000

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.

South Tahoe Public Utility District

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2014

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, 2014:

Interest income	\$ 146,944
Realized and unrealized losses	<u>69,754</u>
	<u>\$ 216,698</u>

NOTE O - OTHER OPERATING EXPENSES

Other operating expenses are as follows for the year ended June 30, 2014:

Professional services	\$ 1,700,829
Insurance and unreimbursed claims	252,684
Chemical supplies	299,299
Operating permits	403,340
Office expense	213,555
Travel, meetings and education	217,471
Petroleum products	191,353
Research and monitoring	28,522
Miscellaneous expense	<u>467,051</u>
Total other operating expenses	<u>\$ 3,774,104</u>

OTHER REPORTS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

**Report of Independent Certified Public Accountants on Internal Control
over Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards***

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

We have audited, 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, the financial statements of the South Tahoe Public Utility District (the "District") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 12, 2014.

Internal control over financial reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting ("internal control") to design audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in the District's internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and other matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on

compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter, described in the accompanying schedule of findings and questioned costs as item 2014-001, that are required to be reported under *Government Auditing Standards*.

Intended purpose

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Grant Thornton LLP

Reno, Nevada
November 12, 2014

Report of Independent Certified Public Accountants on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133

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

Report on compliance for each major federal program

We have audited the compliance of South Tahoe Public Utility District (the “District”) with the types of compliance requirements described in the U.S. Office of Management and Budget’s OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014. The District’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to the District’s federal programs.

Auditor’s responsibility

Our responsibility is to express an opinion on compliance for each of the District’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

The above-mentioned standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District’s compliance.

Opinion on each major federal program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Instances of noncompliance

The results of our audit procedures disclosed instances of noncompliance, described in the accompanying schedule of findings and questioned costs as item 2014-001, that are required to be reported in accordance with OMB Circular A-133. Our opinion on each major federal program is not modified with respect to these matters.

Report on internal control over compliance

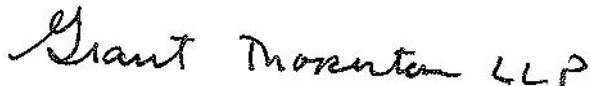
Management of the District is responsible for designing, implementing, and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of compliance requirements that could have a direct and material effect on each major federal program to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in the District's internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The District's response to our findings on internal control over compliance, which is described in the accompanying schedule of findings and questioned costs, was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the District's response.

The purpose of this Report on Internal Control over Compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Reno, Nevada
November 12, 2014

South Tahoe Public Utility District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2014

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
<u>Department of Agriculture:</u>			
Lake Tahoe Erosion Control Grants	10.690	09-DG-11051900-026	\$ 360
Lake Tahoe Erosion Control Grants	10.690	10-DG-11051900-025	51,737
Lake Tahoe Erosion Control Grants	10.690	11-DG-11051900-025	18,376
Lake Tahoe Erosion Control Grants	10.690	13-DG-11051900-019	184,512
Cooperative Fire Program	10.664 *	10-DG-11022012-090	370,226
Cooperative Fire Program	10.664 *	11-DG-11052012-038	231,338
Cooperative Fire Program	10.664 *	12-DG-11052012-163	315,071
Cooperative Fire Program	10.664 *	13-DG-11052012-110	425,029
Cooperative Fire Program	10.664 *	14-DG-11052012-116	114,364
Total expenditures of federal awards			<u>\$ 1,711,013</u>

* Major program, as defined by OMB Circular A-133.

The accompanying notes are an integral part of this statement.

South Tahoe Public Utility District

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2014

NOTE A - REPORTING ENTITY

The accompanying Schedule of Expenditures of Federal Awards includes the activity of federal financial assistance to the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B - SUBRECIPIENTS

Of the federal expenditures presented in the schedule, the District provided federal awards to subrecipients as follows:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Amount Provided to Subrecipients</u>
10.664	Cooperative Fire Program	<u>\$ 1,071,972</u>

South Tahoe Public Utility District

SCHEDULE OF FINDINGS

June 30, 2014

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor report issued unqualified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes none reported

Type of auditor report issued on compliance for major programs. unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? yes no

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
10.664	Cooperative Fire Program

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? yes no

South Tahoe Public Utility District
SCHEDULE OF FINDINGS - CONTINUED
June 30, 2014

SECTION II – FINANCIAL STATEMENT FINDINGS

None

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING 2014-001 – Reporting (repeat finding 2013-001)
Department of Agriculture
CFDA 10.664 (Award _____)

Criteria

As outlined in the Office of Management and Budgets (“OMB”) guidance issued August 27, 2010. The prime awardee is required to file under the Federal Funding Accountability and Transparency Act (FFATA) a sub-award report by the end of the month following the month in which the prime recipient awards any sub-grant greater than or equal to \$25,000.

Condition

We noted that the District did not file the sub-award reports timely.

Context

All FFATA reports were filed late.

Questioned Costs

\$0

Effect

Failure to submit required reports timely fails to honor the intent of the federal agency to provide transparency for the sub-awards on USASpending.gov. The website where report information is available for public viewing.

Cause

The responsible party did not submit the reports prior to deadline. The district maintained documents of their efforts to report the sub-award contracts.

Recommendation

We recommend that the District develop additional procedures to ensure reporting is completed timely and that copies of submitted reports are maintained in the District’s files.

Views of Responsible Officials and Planned Corrective Actions

The District will continue to make all known good faith efforts to meet the Federal Funding Accountability and Transparency Act (FFATA) reporting requirements. The District will continue to ensure that documentation of the good faith efforts is maintained.

South Tahoe Public Utility District

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

June 30, 2014

FINDING 2013-001 – Reporting
Department of Agriculture
CFDA 10.664 (award 11-DG-11052012-038)

Criteria

As outlined in the Office of Management and Budgets (“OMB”) guidance issued August 27, 2010. The prime awardee is required to file under the Federal Funding Accountability and Transparency Act (FFATA) a sub-award report by the end of the month following the month in which the prime recipient awards any sub-grant greater than or equal to \$25,000.

Condition

We noted that the District did not file the sub-award reports timely.

Context

All FFATA reports were filed late. Good faith efforts were attempted to meet the reporting requirements but were unsuccessful.

Questioned Costs

\$0

Effect

Failure to submit required reports timely fails to honor the intent of the federal agency to provide transparency for the sub-awards on USASpending.gov. the website where report information is available for public viewing.

Cause

The responsible party did not submit the reports prior to deadline. The district maintained documents, noting their efforts to report the sub-award contract.

Recommendation

We recommend that the District develop additional procedures to ensure reporting is completed timely and that copies of submitted reports are maintained in the District's files.

Views of Responsible Officials and Planned Corrective Actions

The District will continue to make all known good faith efforts to meet the Federal Funding Accountability and Transparency Act (FFATA) reporting requirements. The District will continue to ensure that documentation of the good faith efforts is maintained.

Status

Repeat finding 2014-001