

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal year ended June 30, 2014 South Lake Tahoe, CA

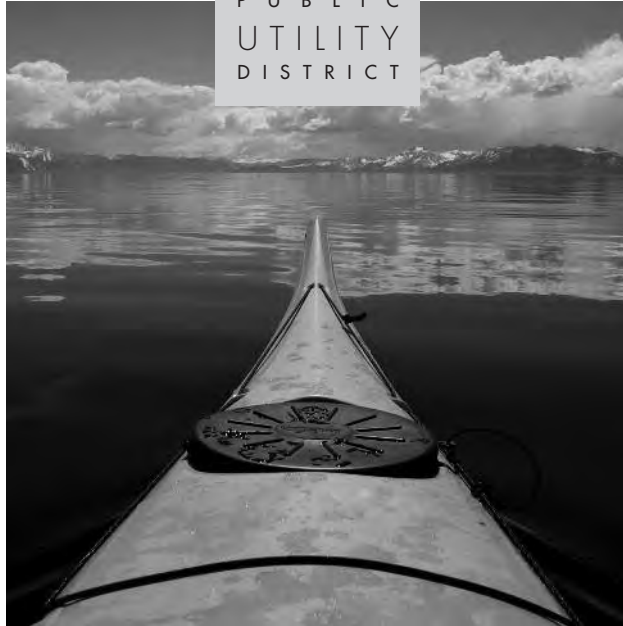
SOUTH
TAHOE
PUBLIC
UTILITY
DISTRICT



protecting our water
our lake our lifestyle



S O U T H
T A H O E
P U B L I C
U T I L I T Y
D I S T R I C T



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our lake our lifestyle

2014

DISTRICT AWARDS

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



EMPLOYEE OF THE YEAR
Liz Kauffman
Human Resources Coordinator



CREW OF THE YEAR

The Laboratory

From left to right: **Brian Chernago**, **Dan Arce**, **Delores Trebotich** (front), **Terry Powers**, **Phyllis Kunibe-Powers** and **Stephen Zdunich**

The District's state-certified laboratory performs more than 30,000 tests annually to monitor drinking water, wastewater treatment, and recycled water export systems.

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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.





protecting our water
our lake our lifestyle



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, 2014. 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. Because the cost of internal controls should not exceed the benefits to be derived, the objective is to provide reasonable, rather than absolute assurance, that the financial statements are free of any material misstatements.

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 Bently Agrowdynamics in Douglas County, Nevada. Lake Tahoe's seasonal tourism and the large number of part-time 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. Fifteen active wells, 20 water tanks, 16 booster stations, 26 pressure-reducing valves, and nearly 320 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 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.

PROTECTING OUR WATER, OUR LAKE AND OUR LIFESTYLE THROUGH WATER CONSERVATION

Water is California's most precious natural resource and is vital to our community. But after three consecutive dry years, the state is facing its worst water shortage crisis in modern history. Calendar year 2013 closed as the driest year in recorded history for many areas of California. The severe drought continued through 2014 with extremely dry conditions, a vanishing snowpack by late spring, and major reservoirs around the state containing less than half of their storage capacities.

History

California has had a long history of drought. Scientists and researchers

have documented multiple droughts that lasted 10 to 20 years in a row during the past 1,000 years. They have also documented periods of mega-drought in California's ancient past that lasted from 180 to 240 years. Evidence shows that during these mega-droughts, many lakes and rivers in the Sierra Nevada dried up for decades.

The Lake Tahoe region has seen five significant droughts in the last century. During a severe drought in the mid-1920's to early 1930's, the Truckee River's lowest annual flow volume was recorded. The drought of the late 1980's to early 1990's saw Lake Tahoe's water level fall to three feet below its minimum level, reducing its flow into the Truckee River for more than two years. More recent data indicates that the Lake Tahoe region has been in a dry weather pattern for several years. With the exception of the 2011 water year, the region has been experiencing normal to below normal precipitation since 2006.

Legislation

On January 17, 2014, California Governor Edmund G. Brown issued a Proclamation of a State of Emergency directing state officials to take all necessary actions to prepare for

drought conditions and called on all Californians to reduce their water use by 20 percent. On April 25, 2014, Governor Brown again asked Californians to redouble their efforts to conserve water. As California's drought deepened, it became clear that requests to reduce water consumption were not enough.

On July 15, 2014, the State Water Resources Control Board (SWRCB) adopted an emergency regulation intended to restrict and reduce outdoor water use. The emergency regulation, approved by the Office of Administrative Law on July 28, 2014, mandates minimum actions to conserve water supplies both for 2014 and 2015. It requires that urban water suppliers adopt and enforce mandatory restrictions prohibiting actions such as: washing down driveways and sidewalks; watering of outdoor landscapes in a manner that cause excess runoff; using a hose to wash a motor vehicle, unless the hose is fitted with a shut-off nozzle; and using potable water in a fountain or decorative water feature, unless the water is recirculated. The regulation also requires larger water suppliers to activate their Water Shortage Contingency Plan to a level where



Taking a shower is generally the more water-efficient way to bathe rather than filling a bath tub.

TRUE It takes about 30 to 50 gallons of water to fill a bathtub. A 10 minute shower with a WaterSense labeled showerhead uses about 20 gallons of water.

outdoor irrigation restrictions are mandatory. Local agencies were given the authority to ask courts to fine water users up to \$500 per day for failure to implement the conservation requirements of the regulation, in addition to their existing authorities and processes.

On average, 40 percent or more of daily water use in California is for lawns and outdoor landscaping. This was the primary driver for implementing an emergency regulation restricting outdoor water use. But the State also recognized there were mounting concerns about groundwater management. On September 16, 2014, Governor Brown signed historic legislation to ensure a sustainable supply of California groundwater. The three-year drought has increased groundwater extraction in many regions of the state and led to over-drafting and water shortages in some communities. This legislation, titled the Sustainable Groundwater Management Act, provides a foundation for the improved management of groundwater supplies by local authorities.

Assisting Customers during the Drought

The South Tahoe Public Utility District supports the state's actions to protect

California's water supply and is committed to conserving water. The District is currently in compliance with the state-mandated restrictions and, in fact, has had equivalent restrictions in place for many years. Recognizing the importance of protecting our groundwater supply, the District adopted an ordinance establishing Water Conservation Stages and the prohibition of water waste in April 2004. The ordinance requires mandatory restrictions on outdoor water use, including a provision for designated watering days for residential and commercial customers.

In addition to adopting an ordinance, the District developed and implemented a comprehensive water conservation program. 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, irrigation efficiency evaluations, turf buy back programs and leak detection assistance.

The average family of four uses approximately 400 gallons of water every day; of that water about 60% is used indoors. To assist customers in

reducing their indoor water use, the District began offering Water Wise House Calls to our residential customers. Upon request, a Water Conservation Program staff member will visit a home, assess the water usage, and provide customized water-saving tips. By participating in this program, a customer is eligible for free water-saving devices (toilet flapper valves, shower heads, faucet aerators, etc.) and water-efficient appliance rebates. Though funding is limited, the District currently offers high-efficiency clothes washer and toilet rebates, as well as an irrigation efficiency rebate. The turf buy back program and leak detection assistance are two other potential water saving 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 adapted 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



The source of the District's water supply is Lake Tahoe.

FALSE All water is pumped from underground aquifers using an intricate system of wells and pump stations located throughout the District's service area.

\$3,000. For those customers with an unexplainable increase in the amount of their water usage, the District offers assistance in detecting leaks in the home 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 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. Even as the Tahoe region struggles as a result of Indian casinos in Northern California, and consecutive years of low snow fall amounts, the ski industry generated \$565 million worth of economic impact on Lake Tahoe's economy last season, according to a study by San Francisco State University. And although the drought dragged down total ski visits, hotel occupancy on Tahoe's South Shore was strong at the end of 2013. Several hotels reported 100 percent occupancy on or around New Year's Eve. The SnowGlobe music festival which took place during

the last week of December contributed to the occupancy rates of some of the hotels. Due to the statistics noted above through June 30, 2014, the end of the third quarter of their fiscal year, the City of South Lake Tahoe reported an increase of 12.7% in Transient Occupancy Tax and an increase of 8% in sales tax compared to June 30, 2013, collections. Although the figures for the summer months are not available at this time, business operators and officials reported a largely successful summer season and stated the Fourth of July weekend was better than it had been locally since before the recession.

At year end, the unemployment rate in South Lake Tahoe was 10.0%, down from 11.4% a year ago and 14.2% two years ago. Although head counts remain down from the peak 1996-97 school year, the Lake Tahoe Unified School District 2013/14 year enrollment was up slightly, and the expectation is for an additional 35 students for the 2014/15 school year. Some of the increase is due to the closure of a Catholic K – 8 school. Expectations for the high school with its new and improved buildings, sports facilities, and career technical education are that it will continue to 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 financially strong and avoided staff layoffs or furloughs during the economic recession.

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 property was foreclosed and the largest creditor stepped in and provided funding to start and complete 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



When maintaining your lawn, keep grass blades short. Shorter grass uses less water so you don't need to water as much.

FALSE Raise your lawnmower to a height of three inches. Taller grass blades will actually shade the soil, requiring less water to keep your lawn green.

further development. One of the older casinos recently changed operators and is undergoing a major \$40 million renovation. They are re-opening as a Hard Rock Hotel and Casino and will provide many needed 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 2014 was \$335,000, up from \$284,000 in 2013 or 18.0%. Although the median price was up, a lack of inventory has resulted in the number of units sold being down 19 percent. The particular property type seeing increased sales activity during the year was lakefront houses.

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 6.0% of the District's 2014 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 11 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, 2013, both water and sewer rates were unchanged. On July 1, 2014, water rates were increased 6.5% while sewer rates were increased 6%. The Board of Directors adopted an ordinance with a five-year rate increase schedule, but annually the rates for each of the remaining four years must be confirmed by the Board. 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 second consecutive year,

connection fees received were greater than budget expectations due to an increased level in residential and commercial development. Although fees recognized for residential connections were greater than expected, the District is forecasting cautiously for the next several years. If the District continues to see 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 completed an initial phase of six new storefront properties this summer. Hopefully with a slowly improving economy this project will continue to progress and expand. Last year the Board of Directors permanently froze connection fee levels hoping to attract more development to the area.

Even though connection fee revenue, which is used for infrastructure replacement, declined for several consecutive years, 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



Toilets are the single largest use of water inside the home.

TRUE Toilets account for approximately 27% of the home's internal water usage.

borrowed funds. An active grant-seeking program is in place to bring in additional resources for both infrastructure and operations. In fiscal year 2014, more than \$.4 million in new grants were awarded to the District following approximately \$1.6 million awarded in fiscal year 2013. During the year more than \$8 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. 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.

District staff regularly gives presentations to civic groups, service organizations, and governing bodies of the public agencies on District priorities and financial condition. District staff also

engages the public on specific capital improvement projects through neighborhood meetings, door hanger notices, and written notices.

The District recently received from the California Special District Association a Certificate of Achievement in Transparency for its public outreach efforts. In addition, the District received The Certificate of Achievement for Excellence in Financial Reporting for the Comprehensive Annual Financial Report fiscal year ended June 30, 2013. The District has received this award for 19 consecutive years. The Municipal Information Systems Association of California also recognized the District's Information Technology Department with its Excellence in IT Practice Award this year for the second time.

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.



A small drip caused by a leaky faucet or toilet is nothing to worry about – having minimal impact to overall water loss.

FALSE A drip from a worn faucet washer can waste 20 gallons of water or more per day.

LOOKING FORWARD TO
THE FUTURE

The increased level of connection fee revenues received by the District, sales and occupancy taxes collected by the City of South Lake Tahoe, and the development improvements at Stateline are all signs of an improving economy on the South Shore of Lake Tahoe. With a \$103 million ten-year capital improvement plan on the horizon, the District is reliant on development-related revenue collections, service charge rate increases, grants, and low-interest loans to complete infrastructure projects. With an improving economy, the Board of Directors may feel less conflicted and more apt to confirm the rate increases scheduled for the next five years. The District remains committed to the philosophy that responsible stewardship of all District resources should not be a burden shifted to future generations.



Sincerely,

Richard H. Solbrig,
General Manager

Paul Hughes,
Chief Financial Officer



Washing dishes by hand uses less water
than using an automatic dishwasher.

FALSE On average, hand washing uses about 20 gallons of water. EnergyStar rated dishwashers use approximately 4 gallons of water per load.

BOARD OF DIRECTORS



Chris Cefalu
2009 - 2018



Jim Jones
1977 - 1989, 1993 - 2018



Eric Schafer, President
2001 - 2014



Kelly Sheehan
2011 - 2016



Randy Vogelgesang, Vice President
2011 - 2016



Designated irrigation days are established, and mandatory under the District's Water Conservation Ordinance.

TRUE As stated in the ordinance, properties with street addresses ending with an odd number shall irrigate on Sunday, Tuesday, and Thursday. Properties with street addresses ending with an even number shall irrigate on Monday, Wednesday and Friday. There will be no irrigation permitted on Saturday.

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

Melonie Guttry
Executive Services Manager

Debbie Henderson
Accounting Manager

Paul Hughes
Chief Financial Officer

Nancy Hussmann
Human Resources Director

Ross Johnson
Manager of Plant Operations

Ken Phillips
Information Technology
Manager

Terry Powers
Laboratory Director

Julie Ryan
Senior Engineer

Paul Sciuto
Assistant General Manager/
Engineer

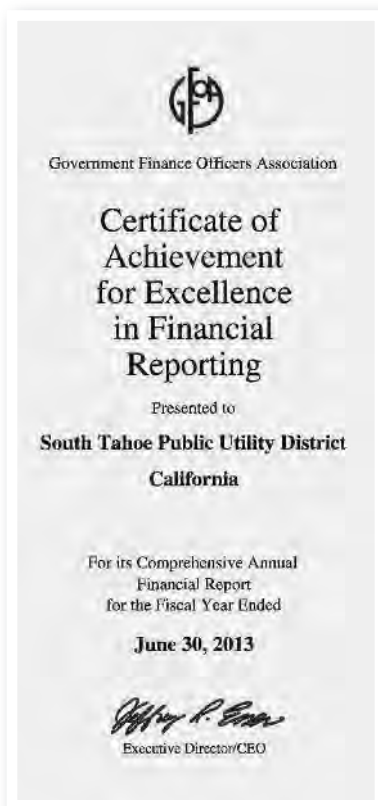
John Thiel
Principal Engineer

DISTRICT HONORS

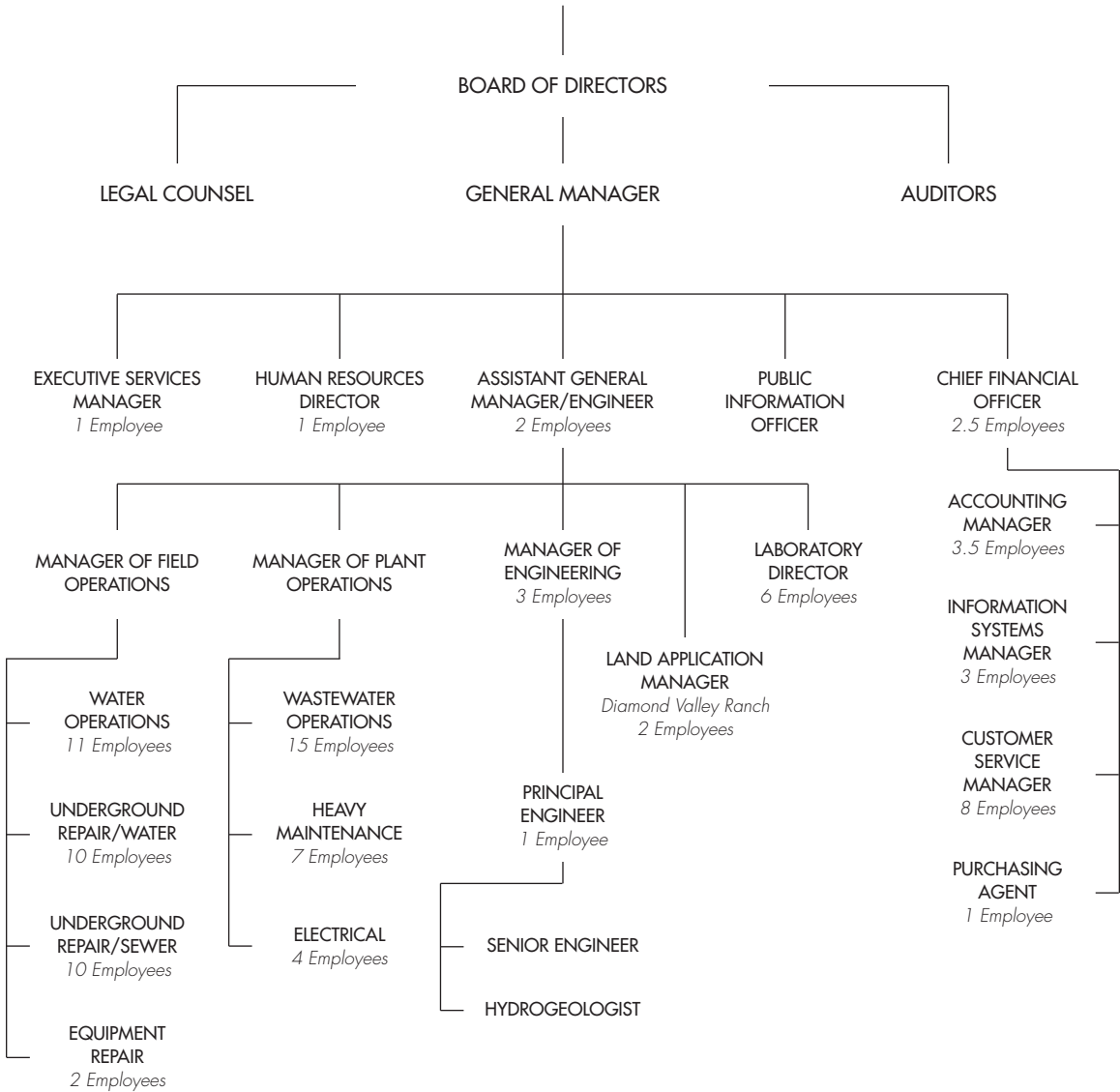
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to South Tahoe Public Utility District for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2013. The Certificate 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.



CUSTOMERS OF THE SOUTH TAHOE PUBLIC UTILITY DISTRICT



For District water customers, motor vehicle washing is only allowed on weekends.

FALSE Motor vehicle washing is allowed any day of the week, as long as the hose is equipped with an automatic shutoff nozzle.



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our lake our lifestyle





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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 13 through 18 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 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



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.

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

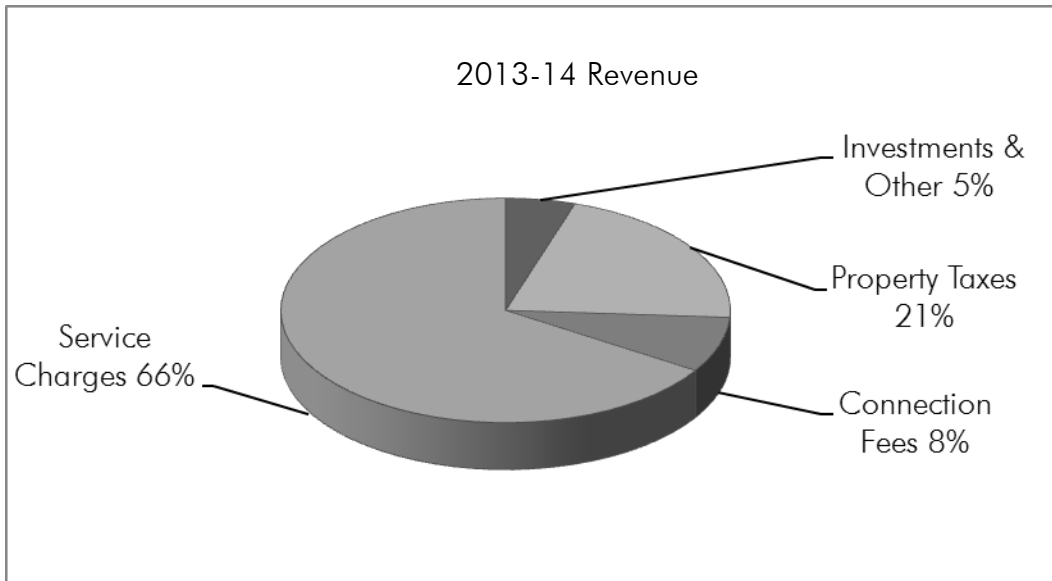
The condensed Statement of Net Position below shows the District is investing in capital assets while keeping its debt at manageable levels. Overall, the District's financial health is improving year-over-year as indicated by the increase in net position.

	<u>Net Position</u> (in thousands)			
	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	\$ 251,078	\$ 252,408	\$ (1,330)	(0.5%)
Total deferred in flows	\$ 368,095	\$ 414,994	\$ (46,899)	(11.3%)
Debt outstanding	\$ 35,964	\$ 39,342	(\$ 3,378)	(8.6%)
Other liabilities	15,238	13,873	1,365	9.8%
Total liabilities	\$ 51,202	\$ 53,215	\$ (2,013)	(3.8%)
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	\$ 200,244	\$ 199,608	\$ 636	0.3%

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.



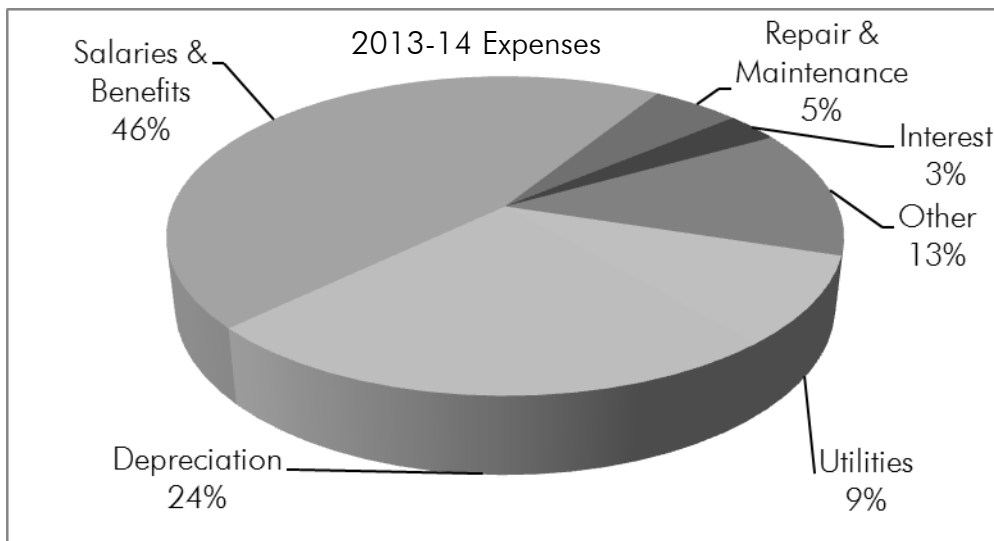
Revenues
(in thousands)

	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	\$ 30,206	\$ 28,949	\$ 1,257	4.3%

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 year 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>



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.

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
	<u>27,595</u>	<u>28,982</u>
<u>Water Enterprise Fund:</u>		
Installment Sale Agreement (secured by water revenue)	8,369	10,000
	<u>8,369</u>	<u>10,000</u>
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.

STATEMENT OF NET POSITION
 Proprietary Funds for the year ended June 30, 2014
 (With comparative totals for the year ended June 30, 2013)

2014

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	<u>18,477,374</u>	<u>4,473,613</u>	<u>22,950,987</u>	<u>23,932,449</u>
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	<u>512,818</u>	<u>4,204,562</u>	<u>4,717,380</u>	<u>7,775,436</u>
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	<u>(89,368,536)</u>	<u>(33,201,251)</u>	<u>(122,569,787)</u>	<u>(120,396,742)</u>
Total capital assets	<u>117,637,776</u>	<u>86,261,311</u>	<u>203,899,087</u>	<u>203,339,751</u>
Total noncurrent assets	<u>131,205,875</u>	<u>96,920,976</u>	<u>228,126,851</u>	<u>228,475,827</u>
Total assets	<u>149,683,249</u>	<u>101,394,589</u>	<u>251,077,838</u>	<u>252,408,276</u>
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	<u>10,460,146</u>	<u>5,566,822</u>	<u>16,026,968</u>	<u>15,135,965</u>
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	<u>27,063,715</u>	<u>8,111,283</u>	<u>35,174,998</u>	<u>38,079,488</u>
Total liabilities	<u>37,523,861</u>	<u>13,678,105</u>	<u>51,201,966</u>	<u>53,215,453</u>
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	<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.

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)

2014

	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	121,881	580,982	702,863	1,252,318
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.

STATEMENT OF CASH FLOWS
 Proprietary Funds for the year ended June 30, 2014
 (With comparative totals for the year ended June 30, 2013)

2014

	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	<u>(1,523,155)</u>	<u>1,515,474</u>	<u>(7,681)</u>	<u>1,637,978</u>
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	<u>6,023,591</u>	<u>1,235,825</u>	<u>7,259,416</u>	<u>8,297,841</u>
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	<u>(4,395,518)</u>	<u>(5,113,420)</u>	<u>(9,508,938)</u>	<u>(2,544,769)</u>
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	<u>461,060</u>	<u>(337,046)</u>	<u>124,014</u>	<u>4,215,957</u>
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)	<u>10,553,774</u>	<u>7,757,176</u>	<u>18,310,950</u>	<u>6,703,943</u>
Cash and cash equivalents, ending (including \$462,818 and \$4,089,562 reported in restricted assets for sewer and water, respectively)	<u>\$ 11,119,752</u>	<u>\$ 5,058,009</u>	<u>\$ 16,177,761</u>	<u>\$ 18,310,950</u>

STATEMENT OF CASH FLOWS - continued
 Proprietary Funds for the year ended June 30, 2014
 (With comparative totals for the year ended June 30, 2013)

2014

	Business-type Activities		Total	
	Enterprise Funds		2014	2013
	Sewer	Water		
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
Cash (used in) provided by operating activities	<u>\$ (1,523,155)</u>	<u>\$ 1,515,474</u>	<u>\$ (7,681)</u>	<u>\$ 1,637,978</u>
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.



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 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.



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.



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.



NOTE B - CASH AND INVESTMENTS

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

Cash and cash equivalents:

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

Investments:

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
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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	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



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>



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.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

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	<u>20,388,015</u>	<u>5,995,561</u>	<u>(13,974,288)</u>	<u>12,409,288</u>
Total capital assets not being depreciated	<u>46,801,950</u>	<u>5,995,561</u>	<u>(13,974,288)</u>	<u>38,823,223</u>
<u>Capital assets being depreciated:</u>				
Plant and equipment	276,934,543	16,007,447	(5,296,339)	287,645,651
Less: Accumulated depreciation	<u>(120,396,742)</u>	<u>(7,266,377)</u>	<u>5,093,332</u>	<u>(122,569,787)</u>
Total capital assets being depreciated, net	<u>156,537,801</u>	<u>8,741,070</u>	<u>(203,007)</u>	<u>165,075,864</u>
Capital assets, net	<u>\$203,339,751</u>	<u>\$ 14,736,631</u>	<u>\$ (14,177,295)</u>	<u>\$203,899,087</u>

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>



NOTE D - ACCOUNTS RECEIVABLE AND AMOUNT DUE FROM GOVERNMENTAL AGENCIES

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

	<u>Sewer</u>	<u>Water</u>
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
	<u>531,757</u>	<u>2,505,237</u>
Allowance for doubtful accounts	<u>(35,448)</u>	<u>(31,394)</u>
Accounts receivable, net of allowance	<u>\$ 496,309</u>	<u>\$ 2,473,843</u>

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

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

June 30, 2014

2014

NOTE E - CHANGES IN LONG-TERM LIABILITIES

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

	July 1, 2013	Additions	(Deletions)	June 30, 2014
<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:

	June 30, 2014	Due Within One Year	Long-Term
<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>



NOTE F - LONG-TERM DEBT

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

<p>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.</p>	<p>\$ 8,369,184</p>
<p>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.</p>	<p>2,279,429</p>
<p>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.</p>	<p>874,496</p>
<p>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.</p>	<p>1,213,772</p>
<p>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.</p>	<p>5,943,223</p>
<p>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.</p>	<p>7,860,641</p>
<p>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.</p>	<p>9,422,843</p>
	<p><u>35,963,588</u></p>
<p>Less: Current principal maturities</p>	<p><u>(2,844,219)</u></p>
<p>Total long-term notes payable</p>	<p><u>\$ 33,119,369</u></p>



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.



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.



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

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.



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.

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>





STATISTICAL

protecting our water
our lake our lifestyle





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
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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>	
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<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
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<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

CHANGES IN NET POSITION

Last ten fiscal years

2014

	<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>	<u>2010-11</u>
Operating revenues:				
Charges for sales and services:				
Service charges	\$19,857,736	\$19,905,104	\$18,996,769	\$18,843,974
Connection and service fees	2,477,127	1,732,924	985,935	991,440
Other operating income	<u>385,661</u>	<u>396,604</u>	<u>342,608</u>	<u>400,643</u>
Total operating revenues	<u>22,720,524</u>	<u>22,034,632</u>	<u>20,325,312</u>	<u>20,236,057</u>
Operating expenses:				
Salaries, wages and employee benefits	13,868,223	14,041,923	13,388,830	13,619,980
Depreciation and amortization	7,266,377	7,175,923	7,067,228	6,919,963
Utilities	2,683,320	2,746,641	2,494,186	2,740,754
Repairs and maintenance	1,488,279	1,427,598	1,408,910	1,381,239
Other operating expenses	3,774,104	3,135,358	2,857,630	3,234,225
Loss on disposal of assets	<u>-</u>	<u>-</u>	<u>9,418</u>	<u>68,397</u>
Total operating expenses	<u>29,080,303</u>	<u>28,527,443</u>	<u>27,226,202</u>	<u>27,964,558</u>
Operating income (loss)	<u>(6,359,779)</u>	<u>(6,492,811)</u>	<u>(6,900,890)</u>	<u>(7,728,501)</u>
Nonoperating revenues (expenses):				
Tax revenue	6,362,637	6,167,800	6,120,827	6,198,253
Investment earnings	216,698	146,637	300,142	306,131
Aid from governmental agencies	539,624	317,492	483,547	360,360
Other nonoperating income	365,523	282,581	250,967	317,025
Interest expense	(879,398)	(1,284,731)	(1,097,536)	(848,177)
Other expense	<u>(312,018)</u>	<u>(228,814)</u>	<u>(221,384)</u>	<u>(216,855)</u>
Total nonoperating revenues	<u>6,293,066</u>	<u>5,400,965</u>	<u>5,836,563</u>	<u>6,116,737</u>
Income before contributions	(66,713)	(1,091,846)	(1,064,327)	(1,611,764)
Capital contributions (reimbursements)	<u>702,863</u>	<u>1,252,318</u>	<u>1,547,745</u>	<u>5,543,204</u>
Change in net position	<u>\$ 636,150</u>	<u>\$ 160,472</u>	<u>\$ 483,418</u>	<u>\$ 3,931,440</u>

SOURCE: South Tahoe Public Utility District Finance Department

CHANGES IN NET POSITION - continued
Last ten fiscal years

2014

<u>2009-10</u>	<u>2008-09</u>	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>	<u>2004-05</u>
\$18,604,175	\$18,893,889	\$17,989,037	\$17,373,052	\$16,522,189	\$15,919,463
833,048	1,846,994	2,012,435	2,737,239	2,790,341	2,543,446
<u>336,922</u>	<u>336,923</u>	<u>352,641</u>	<u>234,907</u>	<u>254,806</u>	<u>264,301</u>
<u>19,774,145</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>
13,120,439	12,392,517	12,632,661	10,902,376	10,152,248	10,003,729
6,582,930	6,098,782	6,428,947	6,324,125	5,972,716	5,763,918
2,707,769	2,263,497	3,051,521	2,811,641	2,758,794	2,454,805
1,297,337	1,631,748	1,936,648	1,268,018	1,129,517	976,001
3,002,659	2,975,492	3,191,607	3,354,115	2,514,282	2,902,416
<u>201,297</u>	<u>-</u>	<u>-</u>	<u>389,057</u>	<u>172,303</u>	<u>840,516</u>
<u>26,912,431</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>(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>(7,138,286)</u>
6,638,488	6,667,671	6,404,070	6,284,784	5,391,989	4,690,982
443,430	1,649,122	2,264,933	2,326,466	2,168,782	1,407,348
212,228	344,530	1,111,171	604,736	624,185	390,299
665,179	530,507	448,190	446,864	438,463	359,456
(958,451)	(1,345,841)	(1,353,088)	(1,162,339)	(1,698,914)	(916,422)
<u>(228,414)</u>	<u>(196,410)</u>	<u>(183,917)</u>	<u>(152,609)</u>	<u>(156,957)</u>	<u>(140,073)</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>6,772,460</u>
(365,826)	2,995,349	1,804,088	3,643,768	3,635,024	1,577,415
<u>2,999,511</u>	<u>4,079,206</u>	<u>527,652</u>	<u>89,264</u>	<u>(787,626)</u>	<u>227,347</u>
<u>\$ 2,633,685</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>

NET POSITION BY COMPONENT

Last ten fiscal years

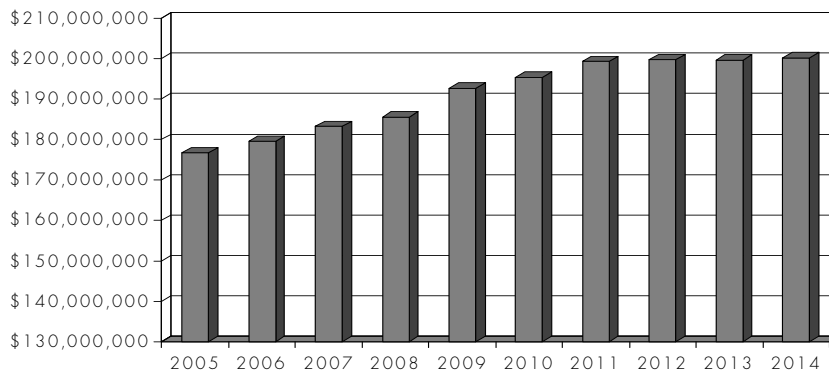
2014

	<u>2013-14</u>	<u>2012-13</u>	<u>2011-10</u>	<u>2010-11</u>	<u>2009-10</u>
Business-type activities					
Net investment in					
capital assets	\$172,911,935	\$171,826,113	\$171,743,660	\$168,387,320	\$160,847,520
Restricted for MTBE-					
related costs	-	380,322	473,264	2,789,890	7,355,783
Restricted for security					
deposits	165,000	275,000	275,000	275,000	275,000
Restricted for capital					
asset purchases	4,089,561	7,120,114	-	-	-
Unrestricted	<u>23,077,471</u>	<u>20,006,268</u>	<u>27,233,548</u>	<u>27,789,844</u>	<u>26,832,311</u>
Total business-type activities					
net position	<u>\$200,243,967</u>	<u>\$199,607,817</u>	<u>\$199,725,472</u>	<u>\$199,242,054</u>	<u>\$195,310,614</u>

	<u>2008-09</u>	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>	<u>2004-05</u>
Business-type activities					
Net investment in					
capital assets	\$152,139,268	\$147,205,534	\$145,236,132	\$136,226,186	\$120,245,080
Restricted for MTBE-					
related costs	10,527,539	11,332,020	12,936,572	17,268,718	23,760,116
Restricted for security					
deposits	275,000	235,000	235,000	265,000	260,000
Restricted for capital					
asset purchases	-	-	-	-	-
Unrestricted	<u>29,735,122</u>	<u>26,829,802</u>	<u>24,862,930</u>	<u>25,777,698</u>	<u>32,425,008</u>
Total business-type activities					
net position	<u>\$192,676,929</u>	<u>\$185,602,374</u>	<u>\$183,270,634</u>	<u>\$179,537,602</u>	<u>\$176,690,204</u>

SOURCE: South Tahoe Public Utility District Finance Department

NET POSITION BY COMPONENT



**WATER AND SEWER SERVICE CHARGES -
BILLINGS AND COLLECTIONS**

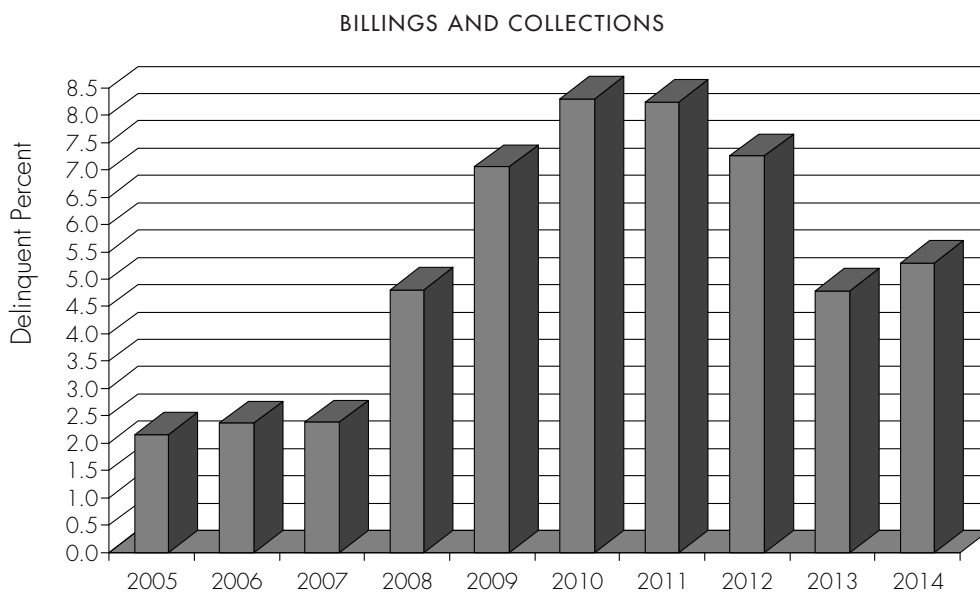
Last ten fiscal years

2014

Fiscal Year	Delinquent Receivables	Delinquent Accounts	Annual Billing		Total Annual Billing	Delinquent Percent
			Sewer Charges	Water Charges		
2013-14	\$1,054,102	2,403	\$10,562,647	\$9,295,089	\$19,857,736	5.30
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

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.



ANNUAL SEWER AND WATER RATES

Last ten fiscal years

2014

TYPICAL SINGLE FAMILY RESIDENCE(1)

Fiscal Year	Sewer	Water(3)	Total
2013-14	\$377.40	\$489.20	\$866.60
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

TYPICAL COMMERCIAL METERED WATER RATE(2)

Fiscal Year	2" Meter Charge(3)	Consumption Charge Per 100 cu. ft.
2013-14	\$1,918.80	\$1.37
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

ANNUAL SEWER PERMITS ISSUED

Last ten fiscal years

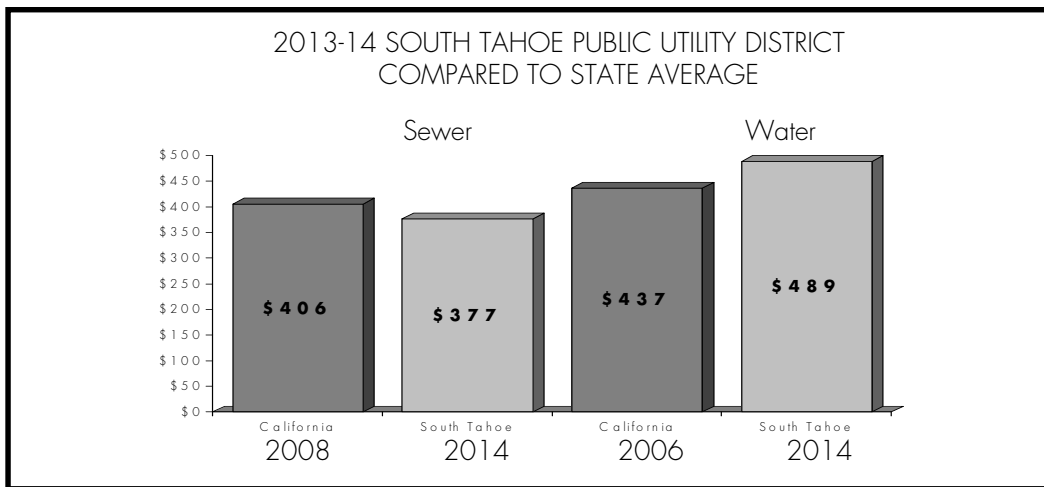
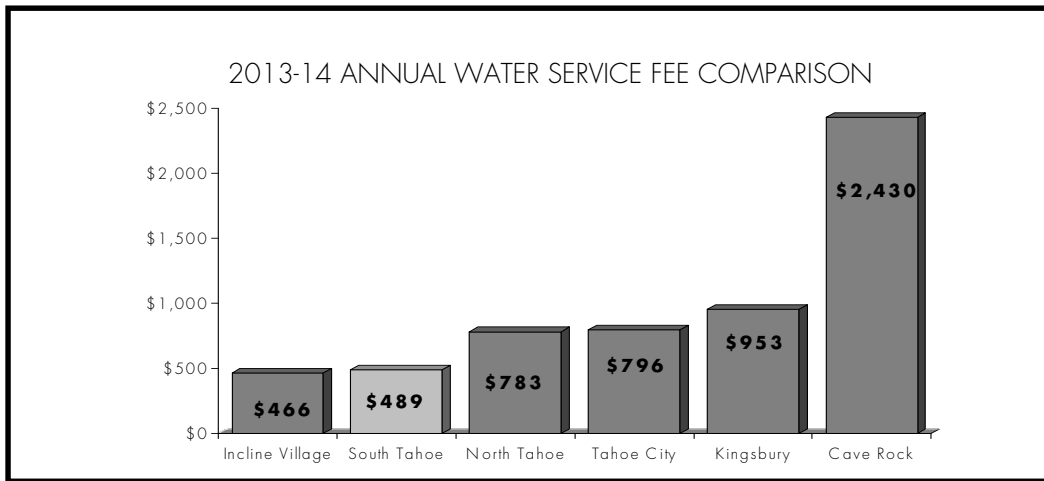
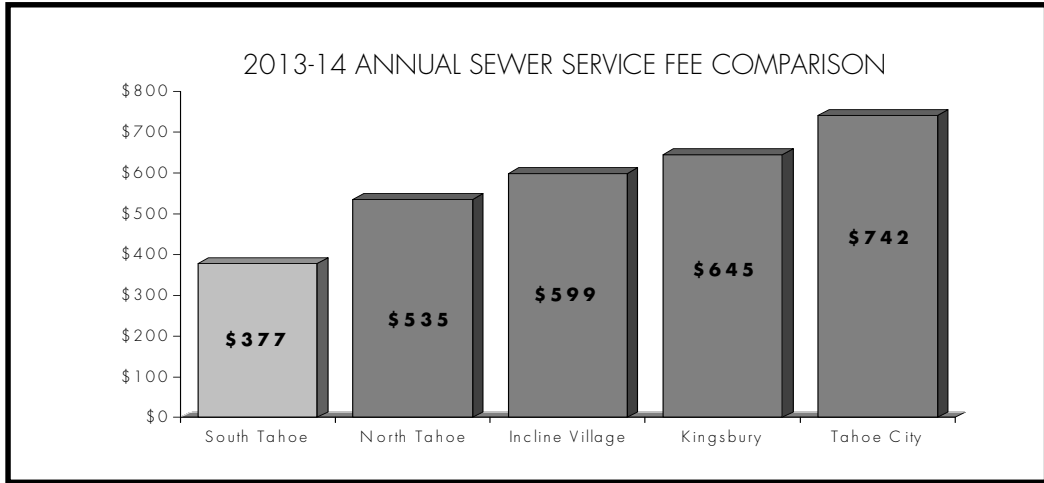
Fiscal Year	Number of Permits
2013-14	96
2012-13	67
2011-12	50
2010-11	53
2009-10	62
2008-09	58
2007-08	114
2006-07	172
2005-06	184
2004-05	225

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.

2014



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.

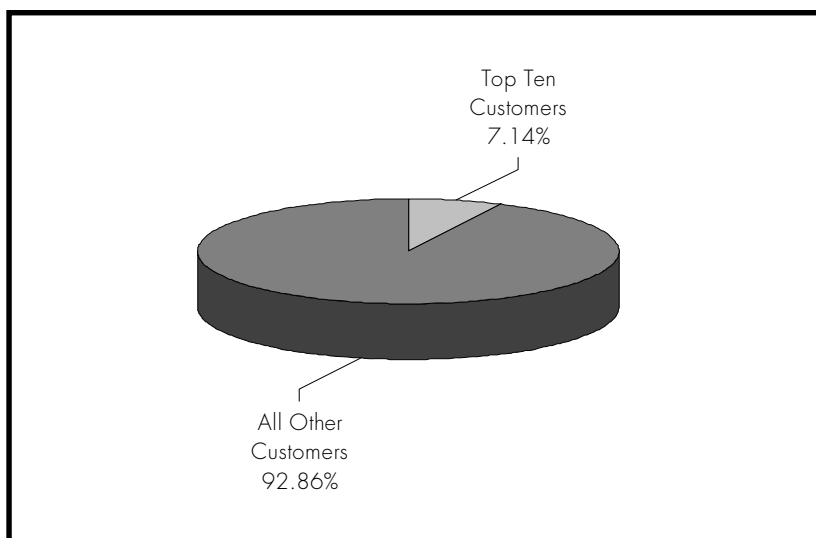
TEN LARGEST CUSTOMERS
Current year and nine years ago

2014

Customer	2013-14			2004-05		
	Total Revenue	Rank	% of Service Charge	Total Revenue	Rank	% of Service Charge
Heavenly Mountain Resort	\$ 226,526	1	1.14	\$ 203,590	1	1.74
City of South Lake Tahoe	183,390	2	0.92	111,712	5	0.75
Lake Tahoe Unified School District	169,874	3	0.86	113,168	4	0.74
Marriott Grand Residence	137,773	4	0.69	181,776	2	1.22
Lake Tahoe Resort Partners (Embassy Vacation Resorts)	136,369	5	0.69	100,108	7	0.60
Tahoe Verde	135,932	6	0.68	145,593	3	0.89
Marriott Timberlodge	135,557	7	0.68	76,782	8	1.46
Lake Tahoe Resort Hotel (Embassy Suites)	114,555	8	0.58	105,068	6	0.65
Barton Memorial Hospital	88,672	9	0.45	—	—	—
County of El Dorado	88,250	10	0.44	85,748	9	0.54
Lakeland Village	—	—	—	68,287	10	0.43
	\$1,417,460		7.14%	\$1,434,047		9.02%

SOURCE: South Tahoe Public Utility District Customer Service Department

2013-14 TOTAL REVENUE



SEWER AND WATER SERVICE CHARGES BY TYPE OF CUSTOMER

Last ten fiscal years

2014

Type of Customer	2013-14	2012-13	2011-12	2010-11	2009-10
Residential	\$15,921,932	\$15,766,282	\$14,874,714	\$14,727,584	\$14,435,526
Motel/Hotel/ Timeshare	1,575,233	1,685,628	1,712,233	1,704,018	1,663,568
Commercial	1,709,822	1,822,487	1,844,508	1,851,064	1,885,331
Government	646,778	626,726	561,515	557,727	616,079
Industrial	3,971	3,981	3,799	3,581	3,671
	\$19,857,736	\$19,905,104	\$18,996,769	\$18,843,974	\$18,604,175

Type of Customer	2008-09	2007-08	2006-07	2005-06	2004-05
Residential	\$14,541,849	\$13,850,793	\$13,464,452	\$13,052,132	\$12,398,895
Motel/Hotel/ Timeshare	1,738,703	1,648,852	1,587,923	1,530,660	1,465,750
Commercial	2,055,314	1,946,998	1,860,185	1,499,645	1,591,345
Government	553,747	538,521	457,063	436,562	459,907
Industrial	4,276	3,873	3,429	3,190	3,566
	\$18,893,889	\$17,989,037	\$17,373,052	\$16,522,189	\$15,919,463

SOURCE: South Tahoe Public Utility District Customer Service Department

PRINCIPAL EMPLOYERS (1)

Current year and seven years ago

2014

Employer	Type of Business	2013-14			2006-07		
		Number of Employees	Rank	% of Total Workforce	Number of Employees	Rank	% of Total Workforce
Barton Memorial Hospital	Health Services	812	1	5.4%	909	1	5.7%
Lake Tahoe Unified School District	Education	391	2	2.6%	458	2	2.9%
Heavenly Mountain Resort	Ski Industry	370	3	2.5%	157	9	0.9%
El Dorado County	Government	277	4	1.9%	225	7	1.4%
United States Forest Service (2)	Government	204	5	1.4%	245	5	1.5%
City of South Lake Tahoe	Government	199	6	1.3%	208	8	1.3%
Marriott Corporation	Lodging	186	7	1.2%	320	3	2.0%
Lake Tahoe Community College	Education	168	8	1.1%	260	4	1.6%
Lake Tahoe Resort Hotel	Lodging	152	9	1.0%	-	-	-
Raley's	Food/Drug	150	10	1.0%	227	6	1.4%
South Tahoe Public Utility District	Utilities	-	-	-	113	10	0.7%
Subtotal		2,909		18.4%	3,122		19.4%
Total Workforce		14,931			15,874		

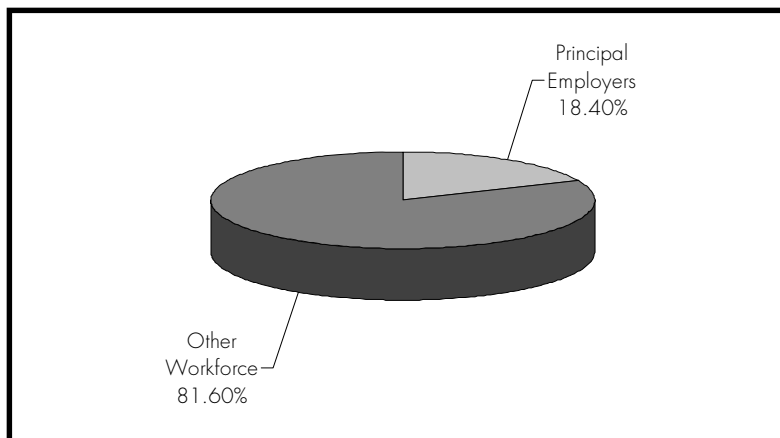
SOURCE: South Tahoe Public Utility District Finance Department

Notes:

(1) The District began collecting this data in fiscal year 2006-07. Number of employees is based on full-time equivalents.

(2) Most recent data available is from fiscal year 2012/13.

2013-14 TOTAL WORKFORCE



PROPERTY TAX ASSESSMENTS
AND LEVIES - SEWER ENTERPRISE FUND
Last ten fiscal years (value in thousands)

2014

Fiscal Year	SECURED		UNSECURED		TOTAL (1)		County Admin. Fee
	Assessed Valuation	Assessed Levy	Assessed Valuation	Assessed Levy	Assessed Valuation	Assessed Levy	
2013-14	\$5,625,443	\$6,075	\$108,508	\$117	\$5,733,951	\$6,192	(\$176)
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)

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	2013-14	2012-13	2011-12	2010-11	2009-10
County General Levy	1.0000	1.0000	1.0000	1.0000	1.0000
Lake Tahoe Unified School District	0.0690	0.0684	0.0542	0.0522	0.0452
TOTAL	1.0690	1.0684	1.0542	1.0522	1.0452

Government	2008-09	2007-08	2006-07	2005-06	2004-05
County General Levy	1.0000	1.0000	1.0000	1.0000	1.0000
Lake Tahoe Unified School District	0.0194	0.0190	0.0199	0.0219	0.0232
TOTAL	1.0194	1.0190	1.0199	1.0219	1.0232

SOURCE: California Municipal Statistics, Inc.

PRINCIPAL PROPERTY TAXPAYERS

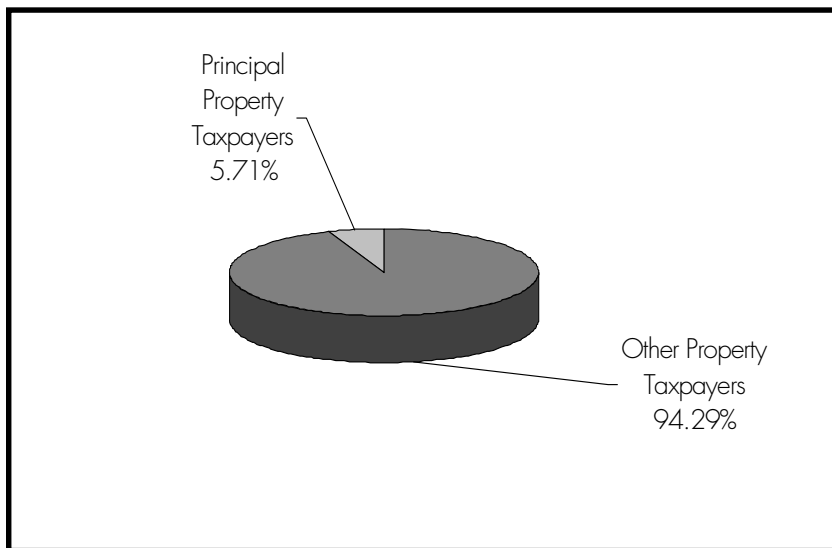
Current year and nine years ago

2014

Taxpayer	2013-14			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	\$ 70,398,049	1	1.25	-	-	-
Heavenly Valley LP	63,322,580	2	1.13	72,363,698	1	1.66
Roppongi-Tahoe LP	51,382,690	3	0.91	44,365,178	3	1.02
Trans-Sierra Investments	26,110,037	4	0.46	38,678,281	4	0.89
Tahoe Crescent Partnership LP	24,137,056	5	0.43	11,037,357	10	0.25
Marriott Ownership Resorts	19,883,749	6	0.35	53,394,340	2	1.22
South Tahoe Refuse Co. Inc.	18,809,343	7	0.33	-	-	-
Tahoe Verde Partnership	16,791,553	8	0.30	-	-	-
Seven Springs LP	16,259,295	9	0.29	14,082,294	8	0.32
Tahoe Keys Marina	14,696,897	10	0.26	-	-	-
Robert and Lisa Maloff	-	-	-	37,664,356	5	0.86
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
	\$321,791,249		5.71	\$346,154,429		7.93

SOURCE: California Municipal Statistics, Inc.

2013-14 TAXPAYERS



RATIOS OF OUTSTANDING DEBT BY TYPE (1)

Last ten fiscal years

2014

Business-Type Activities

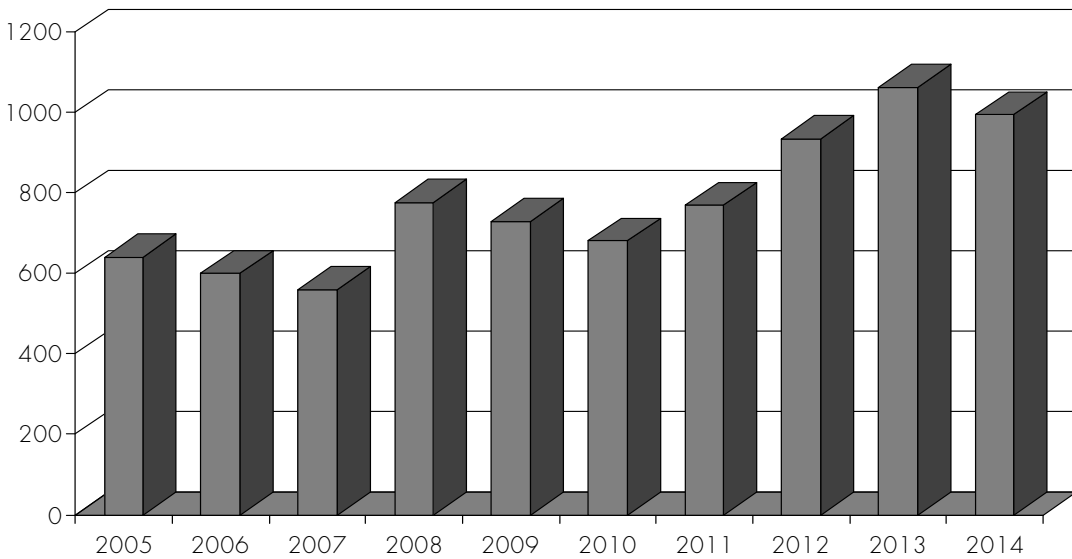
Fiscal Year	Water Revenue Bonds	Sewer Certificates of Participation	Term Loans	Total	Debt Per Capita(2)	Debt as a Share of Personal Income (2)
2013-14	-	-	\$35,963,588	\$35,963,588	\$ 993	3.54%
2012-13	-	-	38,633,753	38,633,753	1,062	3.89%
2011-12	2,075,821	10,275,000	21,336,503	33,687,324	934	3.45%
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	-

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.

2013-14 DEBT PER CAPITA



PLEGGED-REVENUE COVERAGE

Last ten fiscal years

2014

Sewer Enterprise Fund

Fiscal Year	Gross Revenues (3)	Less: Operating Expenses (1)	Net Available Revenues	Principal	Debt Service Interest (2)	Coverage Ratio(s) (4)
2013-14	19,228,580	13,318,177	5,910,403	1,754,718	786,223	2.3
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

Water Enterprise Fund

Fiscal Year	Gross Revenues(3)	Less: Operating Expenses (1)	Net Available Revenues	Principal	Debt Service Interest (2)	Coverage Ratio(s) (4)
2013-14	10,976,426	8,807,867	2,168,559	1,630,817	200,218	1.2
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

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.

CAPITAL SPENDING

Last ten fiscal years

2014

Fiscal Year	Total	Sewer Enterprise Fund	Water Enterprise Fund
2013-14	\$ 7,959,385	\$ 2,436,062	\$ 5,523,323
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
	\$138,890,450	\$64,720,980	\$74,169,470

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 five fiscal years

Fiscal Year	Sewer Lines (miles)	Sewer Treatment Capacity (million gallons)	Water Lines (miles)	Fire Hydrants	Water Storage Capacity (million gallons)
2013-14	336	7.7	254	1,723	9.3
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

DETAIL OF CAPITAL SPENDING

Fiscal year ending June 30, 2014

2014

Project Description	Spending 2013-14	Spending To 6-30-14	Completion Date
<i>Sewer Projects:</i>			
Collection System Master Plan	\$ -	\$ 788,756	In progress
Trout Creek Restoration	346,206	358,126	In progress
DVR Irrigation Improvements Project	188,675	1,300,496	In progress
Bijou Erosion Control	248,873	248,873	In progress
Plant Paving	186,339	188,016	6/30/2014
Country Club/Bakersfield Sewer Repair	7,368	401,990	6/30/2014
Forcemain Bypass	106,715	106,715	In progress
Recycled Water Master Plan/E.I.R.	-	2,065,516	In progress
Headworks Improvement Project	275,405	12,980,828	6/30/2014
Angora Creek Sewerline Protection	485,178	502,805	In progress
Various Purchases/Projects Completed	341,750	2,159,616	Various
Various Projects in Progress	249,553	1,859,495	In progress
Total Sewer Projects	\$ 2,436,062	\$22,961,232	
<i>Water Projects:</i>			
Pioneer Trail Waterline	138,127	329,921	In progress
Trout Creek Erosion Control Project	3,583	408,782	6/30/2014
Meters Project	821,492	821,492	In progress
Bijou Erosion Control	147,532	147,532	In progress
State Streets Waterline	2,649,722	2,751,226	In progress
Tank Coatings	11,584	913,850	6/30/2014
Sierra Tract Waterline	1,042,322	1,083,118	6/30/2014
Saddle/Keller Waterline	263,726	263,726	In progress
Water System Optimization Plan	77,003	484,518	In progress
Various Purchases/Projects Completed	266,024	502,114	Various
Various Projects in Progress	102,207	380,091	In progress
Total Water Projects	\$ 5,523,323	\$ 8,086,370	
Total All Projects	\$ 7,959,385	\$31,047,602	

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.

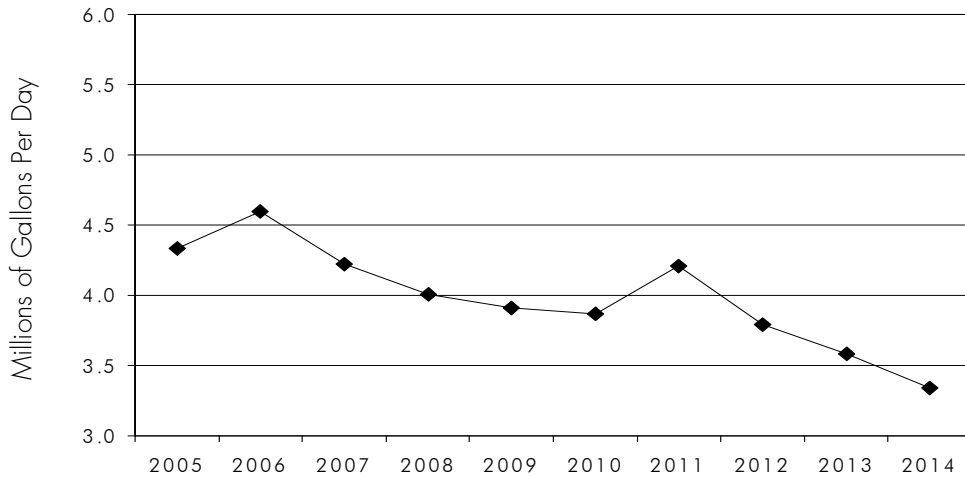
WASTEWATER FLOWS
Last ten fiscal years (in million gallons)

2014

Monthly Flow	13-14	12-13	11-12	10-11	09-10	08-09	07-08	06-07	05-06	04-05
July	125	127	148	135	140	143	139	154	151	146
August	115	117	130	124	130	134	132	142	141	140
September	98	100	110	109	113	112	115	125	120	119
October	91	92	104	103	105	106	108	122	114	114
November	85	92	99	100	97	100	104	115	108	111
December	103	122	110	141	114	115	120	128	148	131
January	98	120	110	135	120	123	125	133	159	130
February	104	107	105	119	112	108	120	126	147	122
March	107	119	126	144	124	131	140	136	157	149
April	95	101	118	153	120	113	120	121	161	139
May	97	103	111	137	119	121	117	118	140	144
June	102	107	113	137	117	119	121	120	134	136
Total Annual Flow	1,220	1,307	1,384	1,537	1,411	1,425	1,461	1,540	1,680	1,581
Average Monthly Flow	102	109	115	128	118	119	122	128	140	132
Average Daily Flow	3.34	3.58	3.79	4.21	3.87	3.90	4.00	4.22	4.60	4.33

SOURCE: South Tahoe Public Utility District Laboratory Department

AVERAGE DAILY WASTEWATER FLOW TREND



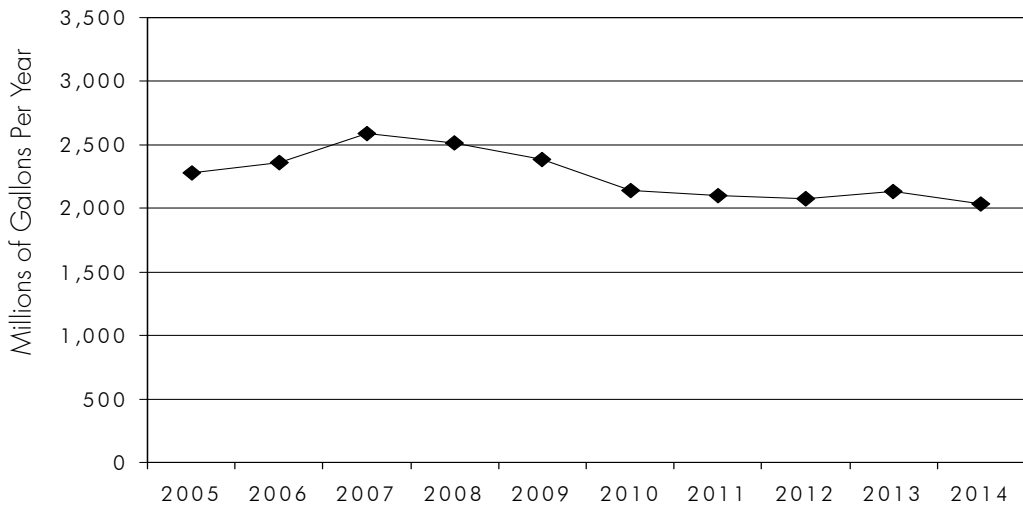
WATER PRODUCTION
Last ten fiscal years (in million gallons)

2014

Monthly Production	13-14	12-13	11-12	10-11	09-10	08-09	07-08	06-07	05-06	04-05
July	285	306	285	329	329	361	381	350	346	327
August	273	296	289	320	307	355	381	343	328	325
September	224	240	232	267	268	294	280	276	251	259
October	140	160	139	147	147	178	164	167	167	186
November	99	104	107	120	122	116	118	119	122	130
December	144	128	132	138	157	152	162	176	153	160
January	129	138	122	127	136	141	149	183	137	131
February	99	107	101	105	99	111	118	132	121	118
March	98	104	99	113	106	110	123	135	134	126
April	111	114	107	99	100	111	118	132	119	114
May	185	198	210	133	128	209	219	245	199	152
June	249	240	251	203	244	243	304	331	285	249
Annual Totals	2,036	2,135	2,074	2,101	2,143	2,381	2,517	2,589	2,362	2,277
Average Monthly Water Production	170	178	173	175	179	198	210	216	197	190
Average Daily Water Production	5.58	5.85	5.68	5.76	5.87	6.52	6.90	7.09	6.47	6.24

SOURCE: South Tahoe Public Utility District Laboratory Department

ANNUAL WATER PRODUCTION TREND



DEMOGRAPHIC STATISTICS

Last ten years

2014

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)
2013-14	110	14,931	10.03%	3,855	36,212	\$28,058	\$1,016,036
2012-13	111	15,096	11.44%	3,793	36,233	\$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	-	-

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

2014

- Special thanks go to Tim Bledsoe, Jeri Callian, Debbie Henderson, Paul Hughes, Donielle Morse, Susan Rasmussen, Theresa Sherman, and the Laboratory Department.
- This Comprehensive Annual Financial Report has been prepared by the Finance Department.

protecting our water
our lake our lifestyle

2014

SOUTH TAHOE PUBLIC UTILITY DISTRICT

SOUTH
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PUBLIC
UTILITY
DISTRICT



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