

SOUTH TAHOE PUBLIC UTILITY DISTRICT

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Reliable Services During Challenging Times



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COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2017 South Lake Tahoe, California



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Fiscal Year Ended June 30, 2017 South Lake Tahoe, California

Prepared by the Finance Department

District Awards

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

Crew of the Year



Customer Service

The Customer Service Department is the “Front Line” for the District managing customer accounts, inspections, water conservation, and metering data while providing exemplary customer service.

Employee of the Year



Debbie Henderson,
Accounting Manager

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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.
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Reliable Services During Challenging Times



Member of the Board of Directors, South Tahoe Public Utility District

October 19, 2017

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, 2017. 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.

Mann, Urrutia, Nelson, Certified Public Accountants, audited 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 parttime residents cause wide fluctuations in both daily water production and wastewater flows.

The District serves water to approximately 14,100 homes and businesses. Annual water production is nearly 2.5 billion gallons. Twelve active wells, 18 water tanks, 16 booster stations, 29 pressure zones, and nearly 254 miles of water mains comprise the District's water system.

The sewage collection system consists of more than 312 miles of gravity collection lines, 20 miles of pressure force mains, and 42 lift stations providing service to more than 18,000 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

**Twelve active wells, 18 water tanks, 16 booster stations,
29 pressure zones, and nearly 254 miles of water mains
comprise the District's water system.**

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.

Providing Reliable Services During Challenging Times

The 2017 winter brought record-level snowfall, rain, and flooding to the Tahoe basin which created challenges for District infrastructure and staff. But as expected by its customers, the District's committed staff worked through severe



weather conditions to insure continued delivery of safe, clean, and reliable water and sewer services.

Record snowfall amounts were followed by warmer rain events causing rapid snow melt. Through manholes, damaged or opened laterals, or cracked sewer lines, the excessive amounts of flood water made its way into the District's sewer systems. The District's sewer collection and treatment system, and recycled water operations in Alpine county were at times operating near peak capacity. Within the sewer collection systems, District staff were having to use mobile pumping units to move wastewater out of the manholes of flooded areas and back into

nearby, less affected manholes to prevent sewer spills. Staff were required to operate this manual process 24 hours a day in freezing conditions. Other staff were also working around the clock locating and sealing areas of the collection systems susceptible to water intrusion. Day and night, the dedicated staff of the District continued to work to protect the environment and prevent service interruptions.

At the wastewater treatment plant, all the additional flows into the collection system had to be processed through the treatment systems. In addition to managing all of the extra flows, and timing of the treatment and pumping processes, District staff had to greatly increase their snow removal efforts to gain access to and keep the plant infrastructure clear. These types of additional challenges are not usually expected at a wastewater treatment plant, but the committed staff of the District accept it as the norm.

Fallen Leaf lake is one of the jewels within the District's service area attracting thousands of visitors annually. The sewer collection system for this area is an older multi-station system operated by vacuum pressures. The District knew

...the District's committed staff worked through severe weather conditions to insure continued delivery of safe, clean and reliable water and sewer services.

that this system was struggling to keep up with the flow demands and needed to have crews and equipment onsite to assist pumping operations by utilizing large trucks equipped with pumps and tank storage. The only available access to this infrastructure is a narrow one lane road that goes around the lake. This access road was severely damaged during the storms and the County road department did not have resources available to make the necessary repairs. District staff knew that if they could not access the affected infrastructure, a sewer spill into the pristine waters of the lake was likely to occur. Unable to wait any longer, District crews transported dump trucks loaded with rock and repaired the damaged road allowing access to the affected infrastructure and preventing sewer spills.

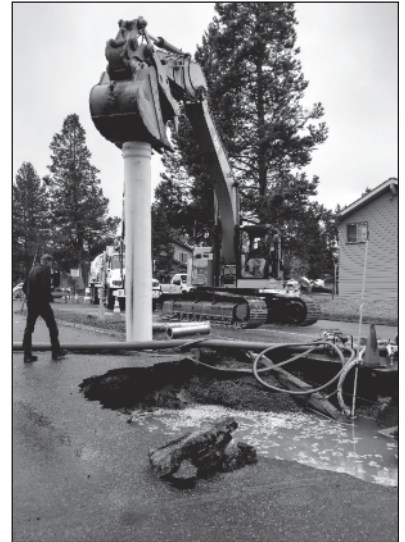
One of the most significant ways the District protects Lake Tahoe is through its massive treated effluent transport system. As stated earlier, since the 1960's the District has been complying with the Porter-Cologne Water Quality Control Act by transporting all of its treated effluent out of the basin. This helps to insure that the effluent never finds its way into the pristine waters of Lake Tahoe, as the community expects. Luther Pass Pump Station is a critical element of the District's effluent disposal infrastructure. This pump station has been in continuous and uninterrupted operation since its construction and commissioning in 1968. The significant weather events impacted electric power infrastructure and its ability to provide reliable service to this station. It was necessary to operate an emergency generator for weeks to insure uninterrupted operation of the pumping process. This required thousands of gallons of diesel fuel and continuous monitoring by District staff.

Once the treated effluent makes its way through Luther Pass Pump Station, it is conveyed through a vast series of pipelines and ditches until it reaches a large reservoir in neighboring Alpine County, where it is stored and eventually used by farmers on fodder crops. With the weather events providing flood stage water flows, District staff had to closely monitor reservoir levels while dealing with road and ditch erosion, and landslides impacting the ability to safely contain the flowing effluent. District staff were continuously cleaning debris from the ditches and associated bar screens until flow levels subsided reducing the probability of an overflow.

The consistent theme throughout the significant events experienced last winter was the dedication of District staff working together, interdepartmentally to achieve a common goal while working in very difficult conditions.

Local Economic Conditions

Lake Tahoe is continually recognized as a very popular vacation destination in the United States. In 2014 USA Today ranked Tahoe South as the number one ski destination, and Expedia Viewfinder calls Lake Tahoe one of the world's most breathtaking destinations. With these rankings and a record winter snowpack, the Tahoe Basin saw a spike in ski lift ticket sales in 2016/17. According to Vail Resorts, sales were up \$210.6 million, a 40.6% increase over 2015/16. Summer visits to the region also increased. According to DestMetrics, the far west had its fifth con-



Day and night, the dedicated staff of the District continued to work to protect the environment and prevent service interruptions.

secutive all-time summer season for occupancy and revenue. For the period May 2016 through October 2016, occupancy rates were up by 2% while revenues were up 8%. Due to the positive statistics noted above, through September 30, 2016, the end of their fiscal year, the City of South Lake Tahoe reported an increase of 25.2% in Transient Occupancy Tax and an increase of 13.7% in sales tax compared to September 30, 2015, collections.

Local development in fiscal year 2016/17 was productive with the start or completion of residential and commercial development.

Two condominium projects are being developed in the District's service area near Stateline. Zalanta Resort is a 30 unit luxury condominium project completed in May 2017. Gondola Vista estates is a 20 unit project expected to be completed in early 2018. In January 2017, a new Smart and Final grocery store opened occupying a previously vacant commercial property. A separate developer purchased a vacant lot and intends to develop commercial retail space to house a Whole Foods store and other retail establishments. In 2017 a welcomed renovation of the factory stores at the "Y", now known as The Crossing, was complete. This renovation has enticed new retailers and restaurants to occupy this previously mostly vacant retail space. Another exciting project completed this year is the Tahoe Hockey Academy. The Academy is for youths aged 13 to 20 seeking to play Division 1 and beyond. Expectations are eight adults will be employed with 92 players attending the Academy.

The real estate market in South Lake Tahoe improved this year, which paralleled the California real estate trend. The median single family home price in June 2017 was \$439,500, up from \$384,000 in 2016 or 14.4%. This is good news for sellers, but

Tahoe locals with a median household income of \$38,843 are being priced out of the market. According to Chase International in Tahoe, buyers are coming to Tahoe to purchase a vacation home and often pay cash. Few people living in Tahoe can afford to do that.

At year end, the unemployment rate in South Lake Tahoe was 5.4%, down from 6.1% a year ago and 10.0% three years ago. The California and U.S. unemployment rates in June 2017 were 4.7% (record low) and 4.4% respectively. 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 stable.

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 approximately 35% of customers still pay flat rates for sewer and water services. Also, the District's metered water rates are structured with an 80% fixed component and 20% variable component. This structure nearly represents the District's actual fixed and variable cost structure. Water consumption fees currently represent only 6.0% of the District's 2016 combined water and sewer service charge revenue and 4.0% of total revenues; therefore, fluctuations in actual usage do not materially impact operating income. Water consumption



A primary goal in carefully developing long-term financial plans is to minimize annual rate changes and to avert large rate fluctuations.

fees will become a larger portion of the District's revenues over the next four 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, 2014, 2015 and 2016, water rates were increased 6.5% while sewer rates were increased 6%. Fiscal year 2016/17 represented year three of a five-year rate implementation schedule. The Board of Directors adopted an ordinance with a five-year rate increase schedule, but annually the rates for each of the remaining two years must be confirmed by the Board. The Board did confirm the rates from year four of the schedule effective July 1, 2017. 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.

The rate increases mentioned above are being used to fund a \$100 million capital improvement plan. Utilizing rate increases, grant funds, and low-interest state loans will allow the District to continue replacing critical infrastructure vital to providing safe and quality water and sewer services the ratepayers expect. For the last few years, 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. Due to a limited number of vacant lots, many developers are razing older homes and constructing new ones on the same lot. These developments require no, or little, additional water or sewer capacity. During the last two years, the Board of Directors reduced the capacity charges twice for new or increased sewer service in total by nearly 50% hoping to attract more development to the area.

The District has been able to move forward with several capital projects due to the infrastructure specific rate increases, receipt of grant funds, state program loans, and record-low tax exempt interest rates on borrowed funds. An active grant-seeking



program is in place to bring in additional resources for both infrastructure and operations. In fiscal year 2017, the District recognized more than \$1.0 million in grant funding following more than \$.7 million in 2016 and approximately \$.6 million in fiscal year 2015. During the year more than \$10 million was invested in water and sewer infrastructure replacement. To further enhance the infrastructure planning process, the District is using advanced asset management practices, condition assessments, master plans and probability factors. This information 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

**Careful stewardship of financial resources,
along with a focus on long-term financial planning,
provides the District with a firm financial base.**

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.

Last year the District once again 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, 2016. The District has received this award for 22 consecutive years. This year the Municipal Information Systems Association of California also recognized the District's Information Technology Department with its Excellence in IT Practice Award for the fourth 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.

The Board of Directors' policies carefully coordinate grant funding, reasonable rate increases, and prudent borrowing to meet the District's mission.

Looking Forward To The Future

The long California drought and resulting lack of snow took a toll on the South Lake Tahoe winter economy for several years, but this year's record snow fall brought much needed attention to the area. Also, summer visitors provided a much needed boost to the overall visit numbers creating an actual year-over-year increase in City sales tax and transient occupancy tax revenues. Mother Nature plays a very important role in the area's economy.

The District's revenues were on the decline for several years due to the economic recession but, for the third consecutive year the District is projecting total revenues to be greater than total pre-recession revenues from 2008. The majority of this revenue increase is due to water and sewer service charge rate increases. With a ten-year \$100 million capital improvement plan to repair and replace aging and undersized water and sewer systems demanding attention, the District Board of Director's adopted a five-year rate increase schedule to specifically address these infrastructure issues. Fiscal year 2014/15 was the first of the five-years. In May of 2015 and 2016, the Board adopted the rates in year's two and three of the five-year schedule, and in May of 2017 the Board adopted the rates in year four of the five-year schedule effective for next fiscal year 2017/18. For year five, 2018/19, District staff intend to recommend to the Board of Director's an increase up to the amount of the rates in the five-year schedule. The District is reliant on development-related revenue collections, service charge rate increases, grants, and low interest loans to complete infrastructure projects. The goal is to minimize the impact to the rate payers. With an improving economy, and an associated increase in development related revenues, the District may, with the help of grant funding, be able to adopt rate increases less than the increases in the five-year schedule.

Sincerely,



Richard H. Solbrig,
General Manager



Paul Hughes,
Chief Financial Officer



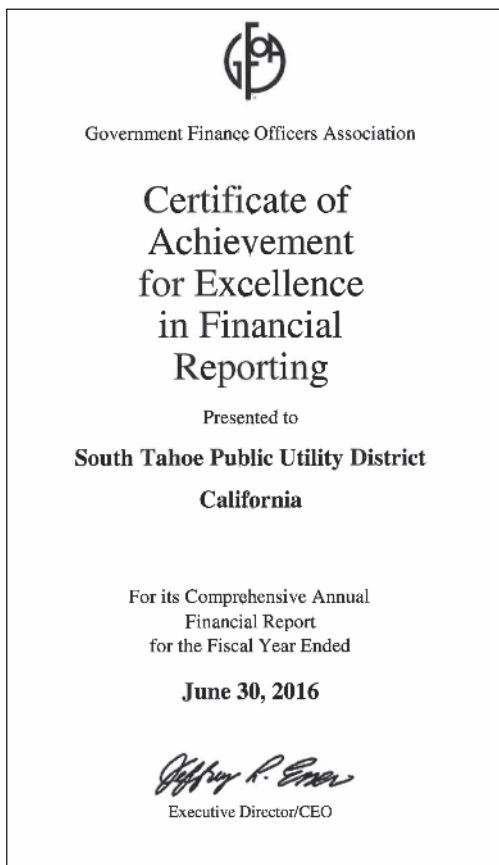
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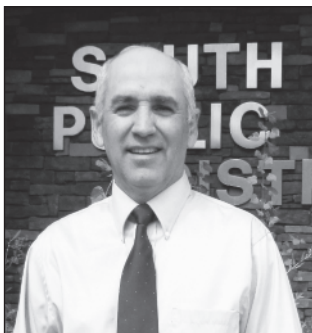
District Honors

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, 2016. 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.

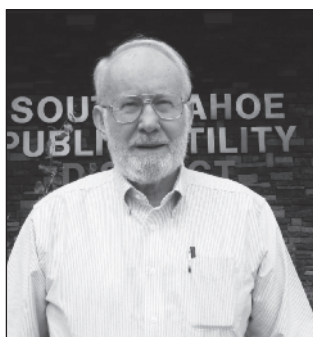


Board of Directors


Randy Vogelgesang, President
2011 - 2020



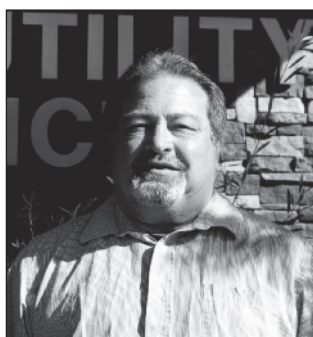
Kelly Sheehan, Vice President
2011 - 2020



Jim Jones
1977 - 1989, 1993 - 2018



Chris Cefalu
2009 - 2018



Duanne Wallace
1991 - 2007, 2014 - 2018

District Officials

Ivo Bergsohn,
Hydrogeologist

Tim Bledsoe,
Customer Service Manager

Linda Brown,
Purchasing Agent

Stephen Caswell,
Senior Engineer

Trevor Coolidge,
Associate Engineer

Shannon Cotulla,
Assistant General Manager/
Engineer

Chris Stanley,
Manager of Field Operations

Melonie Guttry,
Executive Services Manager

Debbie Henderson,
Accounting Manager

Jim Hilton,
Water Reuse Manager

Paul Hughes,
Chief Financial Officer

Nancy Hussmann,
Human Resources Director

Jeff Lee,
Manager of Plant Operations

Chris Skelly, Information
Technology Manager

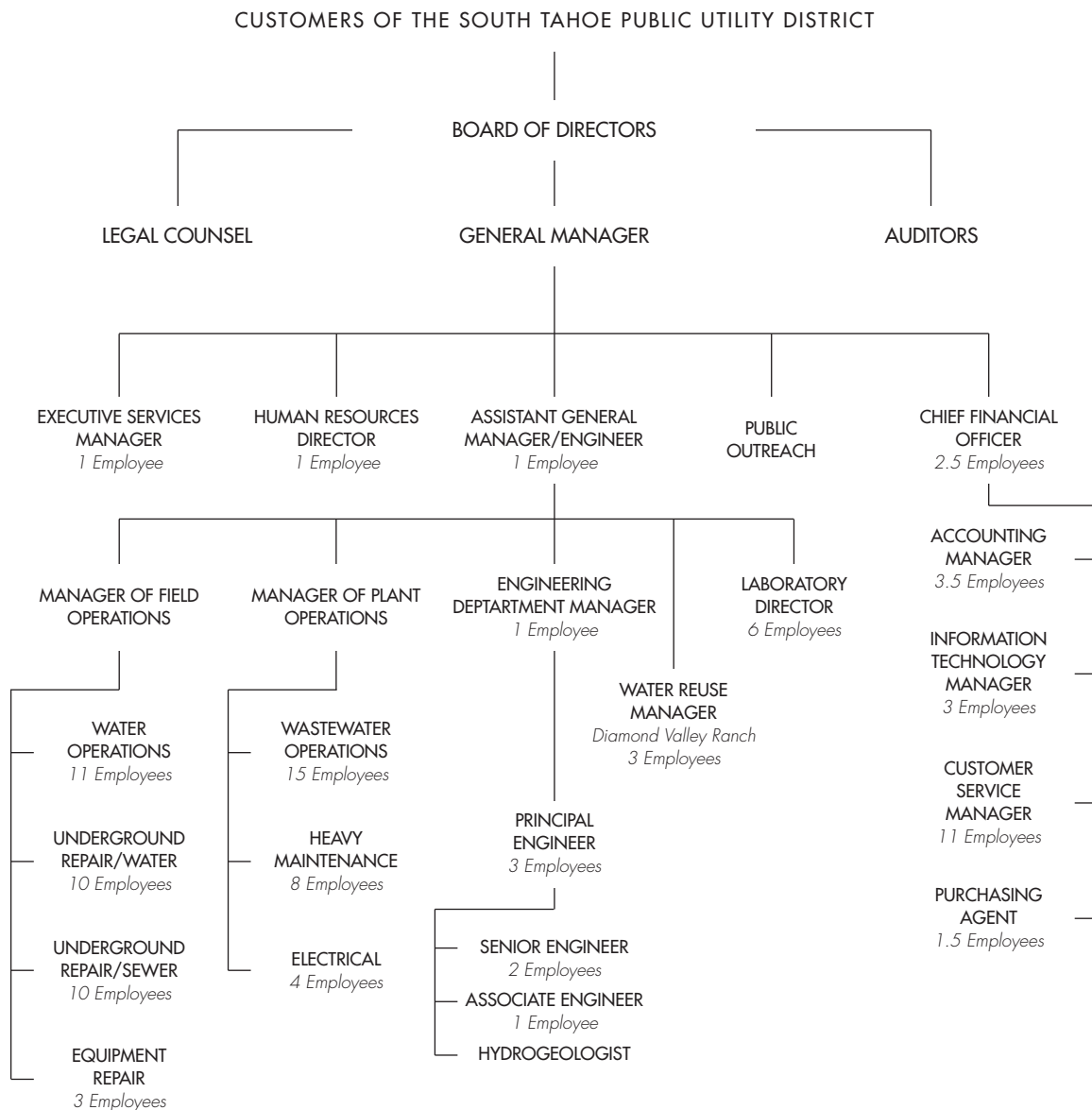
Terry Powers,
Laboratory Director

Julie Ryan,
Principal Engineer

Richard H. Solbrig,
General Manager

John Thiel,
Engineering Department
Manager

Organization Chart





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Reliable Services During Challenging Times





INDEPENDENT AUDITOR'S REPORT

To the 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 as of and for the year ended June 30, 2017, 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 opinions 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 entity'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 entity'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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of South Tahoe Public Utility District, as of June 30, 2017, and the respective changes in financial position, and where applicable, 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 and pension related schedules as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise South Tahoe Public Utility District's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Report on 2016 Summarized Comparative Information

We have previously audited the District's 2016 basic financial statements (not presented herein), and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 3, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, 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 dated October 19, 2017, on our consideration of South Tahoe Public Utility 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 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 South Tahoe Public Utility District's internal control over financial reporting and compliance.



Sacramento, California

October 19, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended June 30, 2017

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 \$79 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 2016-17, the District invested more than \$2.2 million in water infrastructure.

Approximately 10% of the water distribution system is undersized and does not provide appropriate fire protection. 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. During fiscal year 2016-17, the District spent \$.7 million on fire hydrant installations.

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 began by completing installation of approximately 2,500 meters funded with a \$4.4 million grant. Through the end of 2016-17, approximately 6,500 additional meters have been installed. These additional installations increased the portion of the water system metered to approximately 65%. The amount spent on meter installations in fiscal year 2016-17 was \$1.3 million. The remaining unmetered service connections will have meters installed within the next four years and will be funded with a low-cost \$14 million loan secured through the California State Water Resources Control Board. The loan has a thirty-year term with an interest rate of 1.8% and includes \$4 million in principle forgiveness.

The Sewer Enterprise Fund also continues investing in its infrastructure. In fiscal year 2016-17 \$6.7 million was invested in sewer infrastructure improvements. Two significant projects which have been in the planning and design phase over the last few years broke ground in fiscal year 2015-16. The total investment in these pumping and recycled water land application critical infrastructure improvements will be approximately \$13.5 million, of which \$12.6 million has been spent through June 30, 2017. These projects are being funded with low cost loans through the California State Water Resources Control Board.

- During the year more than \$10 million was invested in sewer and water infrastructure.
- Net position of the District increased \$2.8 million or 1.4%.
- The Sewer and Water Enterprise Funds' income is \$2,011,034 and \$312,012, respectively.
- Operating revenue is up 7.9% due to an increase in service charge rates and water consumption.
- Operating expenses are up 9.2%, but came in 3.0% under budget.
- In fiscal year 2016-17, the District was awarded competitive grants totaling more than \$.6 million, following more than \$.7 million awarded in 2015-16 and \$.9 million awarded in 2014-15. These grants will fund, among other things, waterline replacements, water pumping facilities, and water conservation programs.

MANAGEMENT'S DISCUSSION AND ANALYSIS - continued
 For the year ended June 30, 2017

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. For the year ended June 30, 2015, the District was required to implement GASB 68, Accounting and Financial Reporting for Pensions. Under the new GASB standards, each participating cost-sharing employer is required to report its actuarially determined proportionate share of the collective net pension liability, pension expense, and deferred outflows/deferred inflows of resources in their financial statements determined in conformity with GASB 68. Previously to GASB 68, the District was only required to report the actual payments submitted to the pension plan as an expense and no liability or deferred inflows/deferred outflows. The net pension liability reported in the Statement of Net Position for years ended June 30, 2017 and 2016 was \$8.6 million and \$7.0 million respectively. For more information on the District's pension plan, see Note 9 of the Notes to the Financial Statements.

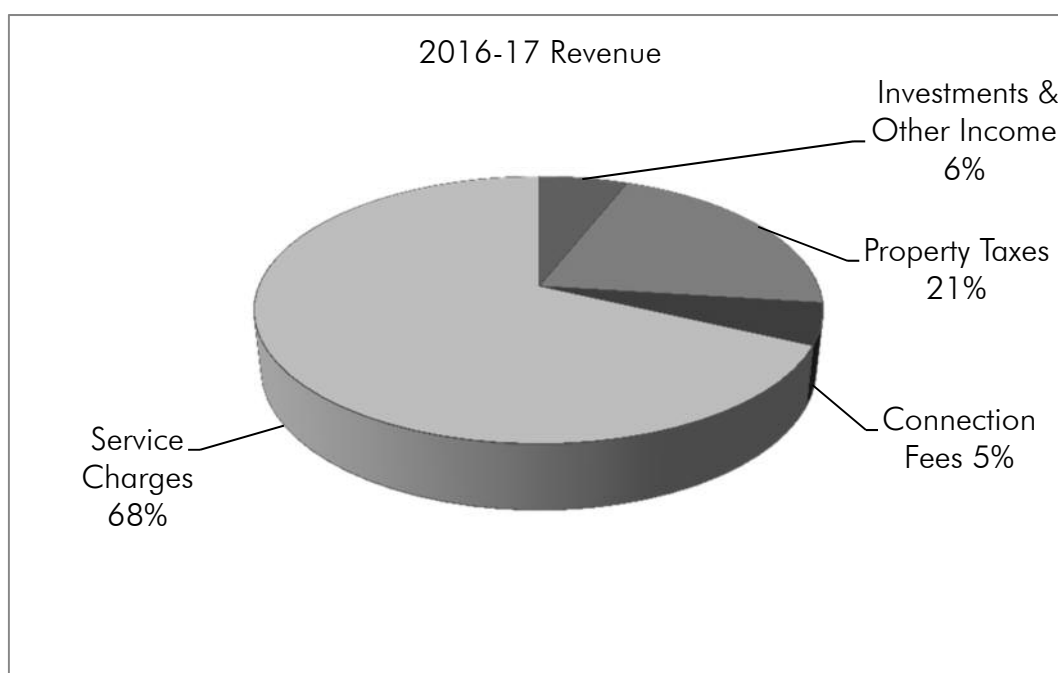
<u>Net Position</u>				
(in thousands)				
June 30				
	2017	2016	Change	Change
Current and other	\$ 51,136	\$ 44,979	\$ 6,157	13.7%
Capital assets	216,615	213,305	3,310	1.5%
Total assets	<u>\$267,751</u>	<u>\$258,284</u>	<u>\$9,467</u>	<u>3.7%</u>
Deferred outflows of resources	\$5,543	\$4,573	\$970	21.2%
Debt outstanding	\$ 42,296	\$ 39,339	\$2,957	7.5%
Net Pension Liability	8,640	7,012	1,628	23.2%
Other liabilities	12,477	9,035	3,442	38.1%
Total liabilities	<u>\$ 63,413</u>	<u>\$ 55,386</u>	<u>\$ 8,027</u>	<u>14.5%</u>
Deferred inflows of resources	\$8,368	\$8,747	(\$379)	(4.3%)
Net investment in capital assets	\$172,100	\$173,966	(\$ 1,866)	(1.1%)
Restricted for security deposits	165	165	0	0.0%
Restricted for capital asset purchases	3,000	464	2,536	546.5%
Restricted for debt service payment	1,117	877	240	27.4%
Unrestricted	25,132	23,252	1,880	8.1%
Total net position	<u>\$201,513</u>	<u>\$198,724</u>	<u>\$2,789</u>	<u>1.4%</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS - continued

For the year ended June 30, 2017

Revenue and Expenses

The District finances sewer and water operations through user charges, property tax receipts, and other income. Total revenue for fiscal year 2016-17 is \$35.3 million, a \$2.7 million or 8.3% increase from the prior year. The 2017 service charge revenue is up from the prior year, reflecting a 6.0% increase in sewer rates, a 6.5% increase in water rates and an increase in water consumed. Connection fees are up \$.2 million or 11.3% reflecting to a slight increase in both commercial and residential development. Property tax revenue is up by \$386,000 or 5.4%, compared to the prior year reflecting an increase in property assessed values. El Dorado County estimates that gross property tax collections will be up approximately 6.4% for 2017-18. While overall investment income is down by 61% due to the fair market value adjustments, actual interest income is up by \$74,892. Other income is up compared to the prior year due to the timing of grant receipts.



Revenues
(in thousands)

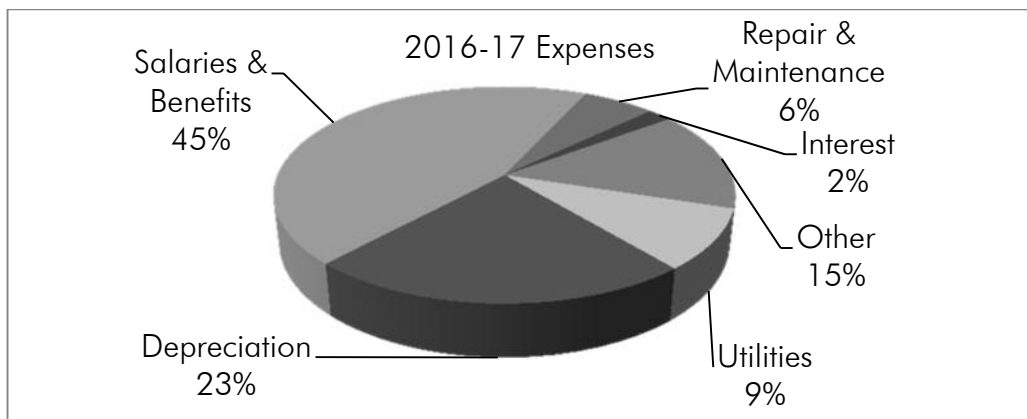
	June 30		Change	Change
	2017	2016		
Service charges	\$24,054	\$22,357	\$ 1,697	7.6%
Connection fees	1,807	1,624	183	11.3%
Other	344	302	42	13.9%
Total operating revenue	26,205	24,283	1,922	7.9%
Property taxes	7,492	7,106	386	5.4%
Investments	156	405	(249)	(61.5%)
Other	1,420	784	636	81.1%
Total non-operating revenue	9,068	8,295	773	9.3%
Total revenue	\$35,273	\$32,578	\$ 2,695	8.3%

MANAGEMENT'S DISCUSSION AND ANALYSIS - continued

For the year ended June 30, 2017

Revenue and Expenses - Continued

Total operating expenses for the current year are \$31.9 million, up \$2.7 million from the prior year. The combined salaries and benefits are up \$1.5 million or 11.1%. The year over year change of the required GASB 68 adjustment to pension expense accounted for \$1.1 million of the \$1.5 million. The District's policy is to capitalize labor associated with capital projects. The capitalized portion of salaries and benefits is not accounted for in operating expenses, as it is included in capital assets on the Statement of Net Position. The amount of capitalized labor for fiscal year 2017 was \$1,163,763 compared to \$1,006,564 in the prior year. The GASB 68 pension expense adjustment for fiscal year 2017 was \$199,433 compared to \$1.3 million in the prior year. Similar to the capitalized labor, this adjustment impacts the Statement of Net Position. When comparing salary and benefit totals year-to-year prior to the reductions for the capitalized labor and the GASB 68 adjustment, the 2017 increase over the prior year was \$475,740 or 3.1%. The increase to salaries was \$181,781 or 1.8% while \$293,959 or 5.5% was the increase to benefits. The increase to salaries represents a 2% cost of living increase and staff turnover. The majority of the increase to benefits is due to a 12% increase to health insurance premiums and a 2.3% increase to CalPERS expense. Depreciation is up reflecting a continued investment in infrastructure projects. Utilities are up due to an increase in rates charged by the power provider and increased sewer flows pumped into the treatment plant. Repair and maintenance expenditures fluctuate year to year based on unexpected or planned projects. Combined operating and non-operating other expenses fluctuate year to year depending on the level of contracted and other professional services utilized by the District. Interest expense is up reflecting additional debt service on new loans through the State Water Resource Control Board.



Expenses
(in thousands)

	June 30		Change	Change
	2017	2016		
<u>Operating expenses:</u>				
Salaries and benefits	\$14,728	\$13,257	\$ 1,471	11.1%
Depreciation	7,680	7,521	159	2.1%
Utilities	2,937	2,739	198	7.2%
Repair and maintenance	1,934	1,744	190	10.9%
Other	4,605	3,938	667	16.9%
Total operating expenses	31,884	29,199	2,685	9.2%
<u>Non-operating expenses:</u>				
Interest expense	813	739	74	10.0%
Other	252	224	28	12.5%
Total non-operating expenses	1,065	963	102	10.6%
Total expenses	\$32,949	\$30,162	\$ 2,787	9.2%

S | T | P | U | D
Reliable Services During Challenging Times

MANAGEMENT'S DISCUSSION AND ANALYSIS - continued
For the year ended June 30, 2017

Revenue and Expenses - Continued

The fiscal year 2016-17 income before capital contributions is \$2.3 million as compared to the budgeted income of \$2.1 million and the actual prior year income of \$2.4 million. For the year, capital contributions increased net position an additional \$.5 million.

Changes in Net Position

(in thousands)

	June 30		Change	Change
	2017	2016		
Beginning net position	\$198,724	\$195,922	\$2,802	1.4%
Income before contributions	2,323	2,416	(93)	(3.8%)
Capital contributions	466	386	80	20.1%
Changes in net position	2,789	2,802	(13)	(0.5%)
Ending net position	\$201,513	\$198,724	\$2,789	1.4%

Capital Assets

The District's investment in its sewer and water systems is \$217 million at the end of the fiscal year net of depreciation. During the year, more than \$10 million was spent on new infrastructure and equipment. \$2.8 million was spent on water system improvements. As noted in the highlights, new waterlines improve system reliability, water pressure, and fire flow capability. For the year \$7.9 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	
	2017	2016	2017	2016	2017	2016
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	80,813	82,731	85,450	84,025	166,263	166,756
Construction in Progress	21,986	16,584	1,952	3,551	23,938	20,135
Total	\$125,642	\$122,158	\$90,973	\$91,147	\$216,615	\$213,305

For additional information on Capital Assets, see Note 4 in the Notes to Financial Statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS - continued

For the year ended June 30, 2017

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. The last time the District received a formal credit rating in 2012, 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 \$42.3 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,	
	2017	2016
<u>Sewer Enterprise Fund:</u>		
California State Revolving Loan Fund (secured by sewer revenue)	1,948	2,062
California State Revolving Loan Fund (secured by sewer revenue)	764	802
California State Revolving Loan Fund (secured by sewer revenue)	1,050	1,106
California State Revolving Loan Fund (secured by sewer revenue)	5,724	2,647
California State Revolving Loan Fund (secured by sewer revenue)	3,709	2,468
Sewer Refunding (secured by sewer revenue)	6,331	6,853
Sewer Refunding (secured by sewer revenue)	6,957	7,798
Installment Sale Agreement (secured by sewer revenue)	5,172	5,438
Total sewer enterprise fund	31,655	29,174
<u>Water Enterprise Fund:</u>		
Water Refunding (secured by water revenue)	6,039	6,662
California State Revolving Loan Fund (secured by water revenue)	3,503	3,503
California State Revolving Loan Fund (secured by water revenue)	1,099	0
Total water enterprise fund	10,641	10,165
Total debt	\$ 42,296	\$ 39,339

For additional information on Outstanding Debt, see Note 6 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.

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 Reliable Services During Challenging Times

STATEMENT OF NET POSITION
 June 30, 2017
 (With comparative totals for June 30, 2016)

	Business-type Activities		Total	
	Enterprise Funds			
	Sewer	Water	2017	2016
ASSETS				
Current assets				
Cash and cash equivalents (Note 2)	\$ 5,097,771	\$ 3,429,603	\$ 8,527,374	\$ 12,911,328
Investments (Note 2)	2,960,352	1,268,721	4,229,073	4,106,919
Accounts receivable, net of allowance (Note 3)	304,336	972,292	1,276,628	1,308,134
Due from governmental agencies (Note 3)	669,178	863,835	1,533,013	281,048
Property tax receivable	7,519,073	-	7,519,073	7,078,816
Interest receivable	86,088	27,485	113,573	73,457
Other current assets	305,571	804,289	1,109,860	1,047,175
Total current assets	16,942,369	7,366,225	24,308,594	26,806,877
Noncurrent assets				
Restricted assets:				
Cash and cash equivalents (Note 2)	1,344,955	239,843	1,584,798	1,341,302
Certificate of deposit (Note 2)	50,000	115,000	165,000	165,000
Total restricted assets	1,394,955	354,843	1,749,798	1,506,302
Long-term accounts receivable (Note 3)	525,745	-	525,745	471,302
Due from governmental agencies, net of allowance (Note 3)	53,020	53,020	106,040	106,040
Interfund loan (Note 8)	3,000,000	-	3,000,000	-
Investments (Note 2)	15,011,956	6,433,695	21,445,651	16,088,172
Capital assets, net of accumulated depreciation (Note 4)	125,641,681	90,973,411	216,615,092	213,304,936
Total noncurrent assets	145,627,357	97,814,969	243,442,326	231,476,752
Total Assets	162,569,726	105,181,194	267,750,920	258,283,629
DEFERRED OUTFLOW OF RESOURCES				
Refunding loan costs	232,971	21,349	254,320	292,011
Changes in the net pension liability (Note 9)	3,244,168	2,044,812	5,288,980	4,281,274
Total Deferred Outflows of Resources	\$ 3,477,139	\$ 2,066,161	\$ 5,543,300	\$ 4,573,285

See accompanying notes to the basic financial statements.

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 Reliable Services During Challenging Times

STATEMENT OF NET POSITION - continued
 June 30, 2017
 (With comparative totals for June 30, 2016)

	Business-type Activities Enterprise Funds		Total	
	Sewer	Water	2017	2016
LIABILITIES				
Current liabilities				
Accounts payable and other liabilities	\$ 2,124,465	\$ 781,039	\$ 2,905,504	\$ 2,274,316
Unearned revenue (Note 5)	816,229	842,996	1,659,225	1,418,764
Accrued expenses	833,422	460,024	1,293,446	1,646,205
Accrued interest payable	398,423	73,796	472,219	381,210
Compensated absences - current portion (Note 7)	771,153	530,473	1,301,626	987,434
Long term liabilities - current portion (Note 6)	<u>1,884,654</u>	<u>776,580</u>	<u>2,661,234</u>	<u>2,517,509</u>
Total current liabilities	<u>6,828,346</u>	<u>3,464,908</u>	<u>10,293,254</u>	<u>9,225,438</u>
Noncurrent liabilities				
Compensated absences - long term portion (Note 7)	1,083,874	761,475	1,845,349	2,327,117
Interfund loan (Note 8)	-	3,000,000	3,000,000	-
Long term liabilities - long term portion (Note 6)	29,770,121	9,864,457	39,634,578	36,821,392
Net pension liability (Note 9)	<u>5,283,697</u>	<u>3,356,176</u>	<u>8,639,873</u>	<u>7,012,372</u>
Total long-term liabilities	<u>36,137,692</u>	<u>16,982,108</u>	<u>53,119,800</u>	<u>46,160,881</u>
Total Liabilities	<u>42,966,038</u>	<u>20,447,016</u>	<u>63,413,054</u>	<u>55,386,319</u>
DEFERRED INFLOWS OF RESOURCES				
Property tax receivable	7,519,073	-	7,519,073	7,078,816
Changes in the net pension liability (Note 9)	<u>498,575</u>	<u>349,981</u>	<u>848,556</u>	<u>1,667,784</u>
Total Deferred Inflows of Resources	<u>8,017,648</u>	<u>349,981</u>	<u>8,367,629</u>	<u>8,746,600</u>
NET POSITION				
Net Investment in capital assets	94,688,053	77,412,109	172,100,162	173,966,035
Restricted for security deposits	50,000	115,000	165,000	165,000
Restricted for debt service payment	876,779	239,843	1,116,622	876,779
Unrestricted - designated for capital asset purchases	-	3,000,000	3,000,000	464,523
Unrestricted	<u>19,448,347</u>	<u>5,683,406</u>	<u>25,131,753</u>	<u>23,251,658</u>
Total Net Position	<u>\$ 115,063,179</u>	<u>\$ 86,450,358</u>	<u>\$ 201,513,537</u>	<u>\$ 198,723,995</u>

See accompanying notes to the basic financial statements.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the year ended June 30, 2017

(With comparative totals for the year ended June 30, 2016)

	Business-type Activities Enterprise Funds		Total	
	Sewer	Water	2017	2016
<u>OPERATING REVENUE</u>				
Charges for sales and services:				
Service charges	\$ 12,807,329	\$ 11,246,959	\$ 24,054,288	\$ 22,356,964
Connection and service fees	1,276,623	530,410	1,807,033	1,623,742
Other operating income	<u>150,747</u>	<u>192,967</u>	<u>343,714</u>	<u>301,952</u>
Total operating revenues	<u>14,234,699</u>	<u>11,970,336</u>	<u>26,205,035</u>	<u>24,282,658</u>
<u>OPERATING EXPENSES</u>				
Salaries, wage and employee benefits	8,907,771	5,820,722	14,728,493	13,256,886
Depreciation and amortization	4,624,254	3,056,171	7,680,425	7,520,917
Utilities	2,213,358	723,628	2,936,986	2,739,345
Repairs and maintenance	1,018,327	915,469	1,933,796	1,744,263
Other operating expenses	<u>2,835,167</u>	<u>1,769,342</u>	<u>4,604,509</u>	<u>3,938,180</u>
Total operating expenses	<u>19,598,877</u>	<u>12,285,332</u>	<u>31,884,209</u>	<u>29,199,591</u>
OPERATING LOSS	<u>(5,364,178)</u>	<u>(314,996)</u>	<u>(5,679,174)</u>	<u>(4,916,933)</u>
<u>NONOPERATING REVENUE (EXPENSE)</u>				
Tax revenue	7,460,006	31,927	7,491,933	7,106,309
Investment earnings	147,002	8,944	155,946	405,293
Aid from governmental agencies	553,835	503,881	1,057,716	357,044
Other nonoperating income	116,703	245,472	362,175	426,582
Interest expense	(694,135)	(119,020)	(813,155)	(738,504)
Other expense	<u>(208,199)</u>	<u>(44,196)</u>	<u>(252,395)</u>	<u>(224,345)</u>
Total nonoperating revenue	<u>7,375,212</u>	<u>627,008</u>	<u>8,002,220</u>	<u>7,332,379</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS	<u>2,011,034</u>	<u>312,012</u>	<u>2,323,046</u>	<u>2,415,446</u>
<u>CAPITAL CONTRIBUTIONS</u>				
Capital contributions	<u>115,343</u>	<u>351,153</u>	<u>466,496</u>	<u>385,971</u>
CHANGE IN NET POSITION	<u>2,126,377</u>	<u>663,165</u>	<u>2,789,542</u>	<u>2,801,417</u>
TOTAL NET POSITION, BEGINNING OF YEAR	<u>112,936,802</u>	<u>85,787,193</u>	<u>198,723,995</u>	<u>195,922,578</u>
TOTAL NET POSITION, END OF YEAR	<u>\$ 115,063,179</u>	<u>\$ 86,450,358</u>	<u>\$ 201,513,537</u>	<u>\$ 198,723,995</u>

See accompanying notes to the basic financial statements.

STATEMENT OF CASH FLOWS

For the year ended June 30, 2017

(With comparative totals for the year ended June 30, 2016)

	Business-type Activities Enterprise Funds		Total	
	Sewer	Water	2017	2016
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>				
Receipts from customers	\$ 14,021,319	\$ 11,933,151	\$ 25,954,470	\$ 24,900,048
Receipts from other funds	-	3,000,000	3,000,000	-
Other operating receipts	150,747	-	150,747	301,952
Payments to suppliers	(2,002,511)	(2,727,796)	(4,730,307)	(3,324,895)
Payments to employees	(8,657,553)	(5,960,001)	(14,617,554)	(14,167,937)
Payments to other funds	(3,000,000)	-	(3,000,000)	-
Other operating payments	(2,835,167)	(1,769,342)	(4,604,509)	(3,938,180)
NET CASH (USED FOR) PROVIDED BY OPERATING ACTIVITIES	(2,323,165)	4,476,012	2,152,847	3,770,988
<u>CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES</u>				
Tax revenue	7,460,006	31,927	7,491,933	7,443,348
Payments from/(to) governmental agencies	(634,202)	521,693	(112,509)	1,296,973
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	6,825,804	553,620	7,379,424	8,740,321
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>				
Acquisition of capital assets	(8,136,647)	(2,890,789)	(11,027,436)	(15,587,286)
Repayment of debt	(1,836,863)	(622,261)	(2,459,124)	(2,398,696)
Proceeds from issuance of debt	4,317,443	1,098,593	5,416,036	6,293,192
Interest paid on notes payable	(601,313)	(119,020)	(720,333)	(842,095)
Contributed capital	-	351,153	351,153	385,971
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(6,257,380)	(2,182,324)	(8,439,704)	(12,148,914)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>				
Investment earnings	419,233	57,349	476,582	338,468
Purchase of investments	(17,813,964)	(6,013,239)	(23,827,203)	(14,915,000)
Proceeds from sale of investments	11,804,626	6,312,970	18,117,596	14,565,682
Proceeds from sale of assets	-	-	-	20,348
NET CASH (USED FOR) PROVIDED BY INVESTING ACTIVITIES	(5,590,105)	357,080	(5,233,025)	9,498
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(7,344,846)	3,204,388	(4,140,458)	371,893
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	13,787,572	465,058	14,252,630	13,880,737
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 6,442,726	\$ 3,669,446	\$ 10,112,172	\$ 14,252,630

See accompanying notes to the basic financial statements.

STATEMENT OF CASH FLOWS - continued

For the year ended June 30, 2017

(With comparative totals for the year ended June 30, 2016)

	Business-type Activities Enterprise Funds		Total	
	Sewer	Water	2017	2016
RECONCILIATION OF OPERATING LOSS TO NET CASH (USED FOR) PROVIDED BY OPERATING ACTIVITIES				
Operating loss	\$ (5,364,178)	\$ (314,996)	\$ (5,679,174)	\$ (4,916,933)
Adjustments to reconcile operating loss to net cash used for (provided by) operating activities				
Depreciation and amortization	4,624,254	3,056,171	7,680,425	7,520,917
Net change in deferred outflows and inflows	(635,893)	(713,093)	(1,348,986)	(2,312,059)
Increase in receivables	(127,040)	(213,238)	(340,278)	692,062
Decrease in due from other funds	(3,000,000)	-	(3,000,000)	-
Decrease (increase) in other assets	(38,090)	(98,052)	(136,142)	215,251
Increase (decrease) in accounts payable	1,339,033	(707,845)	631,188	869,005
Increase in pension liability	992,775	634,726	1,627,501	1,067,244
Increase in unearned revenue	64,407	176,053	240,460	227,280
Increase in due to other funds	-	3,000,000	3,000,000	-
Decrease in other payables	(178,433)	(343,714)	(522,147)	408,221
NET CASH (USED FOR) PROVIDED BY OPERATING ACTIVITIES	\$ (2,323,165)	\$ 4,476,012	\$ 2,152,847	\$ 3,770,988
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES				
Decrease in fair value of investments	\$ (130,779)	\$ (72,164)	\$ (202,943)	66,825

See accompanying notes to the basic financial statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the year ended June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. 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. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*. 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

B. Measurement Focus, Basis of Accounting and Presentation

The financial statements have been prepared in conformity with general accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States.

Measurement Focus

The statement of net position and the statement of revenues, expenses and changes in net position, are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources (whether current or noncurrent) associated with the operation of these funds are reported. Proprietary fund equity is classified as net position.

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.

C. Budget

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

D. 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.

E. 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.

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the year ended June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**F. 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.

G. Inventory

Inventory is valued at cost, using the first in first out method (FIFO). Inventory consists of supplies used in the maintenance of water and sewer lines. The cost is recorded as an expense as inventory items are consumed.

H. Property and Equipment

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. At the date of donation, assets are capitalized when they are expected to have useful lives of three years or greater and the original cost is \$5,000 or more. All depreciation is computed on the straight-line basis 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

I. 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.

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the year ended June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Pension Plan

Beginning with the June 30, 2013 valuations that set the 2015-16 rates, the California Public Employees Retirement System (PERS) employed an amortization and smoothing asset valuation policy that will pay for all gains and losses over a fixed 30-year period, with the increases or decreases in the rate spread directly over a 5-year period. 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.

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the South Tahoe Public Utility District PERS (the Plan), and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Plan investments are reported at fair value.

K. 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.

L. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

M. 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.

N. 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.

O. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

P. Net Position

Net position represents the residual interest in District's assets and deferred outflows after liabilities and deferred inflows are deducted. Net position is presented in three broad components: net investment in capital assets; restricted; and unrestricted. Net investment in capital assets includes capital assets, net of accumulated depreciation, and outstanding principal balances of debt and related deferred outflows and inflows attributable to the acquisition, construction or improvement of those assets. Net position is restricted when constraints are imposed by third parties or by law through constitutional provisions or enabling legislation. All other net position is unrestricted. Operating losses outside of depreciation are funded by operating and capital reserves.

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Q. Comparative Information

Comparative data for the prior year have been presented in certain sections of the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. Certain amounts presented in the prior year have been reclassified in order to be consistent with current year's presentation.

R. Future Government Accounting Standards Board Statements

These statements are not effective until July 1, 2017 or later and may be applicable for the District. However, the District has not determined the effects, if any, on the financial statements.

Government Accounting Standards Board Statement No. 85

In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. The objective of this statement is to address practice issues that have been identified during implementation and application of certain GASB statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). Application of this statement is effective for the District's fiscal year ending June 30, 2018. The District has not determined what impact, if any, this pronouncement will have on the financial statements.

Government Accounting Standards Board Statement No. 87

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. Application of this statement is effective for the District's fiscal year ending June 30, 2021. The District has not determined what impact, if any, this pronouncement will have on the financial statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the year ended June 30, 2017

NOTE 2: CASH AND INVESTMENTS

Cash and investments as of June 30, 2017 consisted of the following:

Cash and cash equivalents:

Unrestricted:

Cash on hand	\$ 2,450
Unrestricted deposits in financial institutions	910,663
Deposits in Local Agency Investment Fund (LAIF)	7,348,546
Deposits in El Dorado County Treasury	189,307
Deposits in California Asset Management Program (CAMP)	<u>76,408</u>

Total unrestricted cash and cash equivalents	<u>8,527,374</u>
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Restricted:

Deposits in CAMP	468,176
Restricted for debt service payment	<u>1,116,622</u>

Total restricted cash and cash equivalents	<u>1,584,798</u>
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Total cash and cash equivalents	<u>10,112,172</u>
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Investments:

Unrestricted:

Federal agency and instrumentalities	6,140,492
U.S corporate debt	9,371,578
Commercial paper	399,762
U.S. Treasury obligations	5,041,566
Negotiable certificates of deposit	<u>4,721,326</u>

Total unrestricted investments	<u>25,674,724</u>
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Restricted:

Certificates of deposit	<u>165,000</u>
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Total investments	<u>25,839,724</u>
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Total cash and investments	<u>\$ 35,951,896</u>
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NOTES TO THE BASIC FINANCIAL STATEMENTS

For the year ended June 30, 2017

NOTE 2: CASH AND INVESTMENTS (continued)Investments Authorized by the California Government Code and the District's Investment Policy

The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	5 Years	None	None
Federal agency and instrumentalities			
Callable	5 Years	25%	None
Asset backed securities	5 Years	20%	None
Other	5 Years	None	None
Supranationals	5 Years	30%	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%
Pooled investment funds			
LAIF	N/A	None	None
CAMP	N/A	None	None
El Dorado County pool	N/A	None	None
Money market funds	N/A	20%	10%

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 tables that shows the distribution of the District's investments by maturity as of June 30, 2017:

Investment Type	Fair Value	Investment Maturities (in years)		
		Less than 1	1-2	3-5
Federal agency and \$ instrumentalities	6,140,492 \$	130,039 \$	1,684,851 \$	4,325,602
U.S. corporate debt	9,371,578	1,100,764	1,904,009	6,366,805
Commercial paper	399,762	399,762	-	-
U.S. Treasury obligations	5,041,566	-	2,523,870	2,517,696
Negotiable certificates of deposit	4,886,326	2,723,510	2,162,816	-
	<u>\$ 25,839,724</u>	<u>\$ 4,354,075</u>	<u>\$ 8,275,546</u>	<u>\$ 13,210,103</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
 For the year ended June 30, 2017

NOTE 2: CASH AND INVESTMENTS (continued)

Concentration of 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 June 30, 2017 for each investment type.

Investment Type	Total	Rating as of Fiscal Year End	
		S&P	N/A
Federal agency and instrumentalities	\$ 6,046,266	AA+	
Federal agency and instrumentalities	94,226		Not rated
U.S. corporate debt	2,241,585	AAA	
U.S. corporate debt	560,987	AA+	
U.S. corporate debt	325,568	AA	
U.S. corporate debt	1,021,203	AA-	
U.S. corporate debt	1,160,675	A+	
U.S. corporate debt	1,627,082	A	
U.S. corporate debt	752,800	A-	
U.S. corporate debt	662,160	BBB+	
U.S. corporate debt	1,019,518		Not rated
Commercial paper	399,762		Not rated
U.S. Treasury obligations	5,041,566	AAA	
Negotiable certificates of deposit	799,640	AA-	
Negotiable certificates of deposit	399,764	A+	
Negotiable certificates of deposit	<u>3,686,922</u>		Not rated
	<u>\$ 25,839,724</u>		

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, as of June 30, 2017 were U.S. Treasury obligations and Federal Agency notes which totaled 20% and 23% of the total investments, respectively.

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 in financial institutions, totaling \$1,147,395 as of June 30, 2017, are secured by federal depository insurance for \$415,000 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.

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the year ended June 30, 2017

NOTE 2: CASH AND INVESTMENTS (continued)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 investments 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 30, 2017. LAIF does invest in structured notes and asset-based securities.

Investment Valuation

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District does not have any investments that are measured using Level 1 and 3 inputs.

The following tables set forth by level, within the fair value hierarchy, the District's assets at fair value as of June 30, 2017.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Federal agency and instrumentalities	\$ -	\$ 6,140,492	\$ -	\$ 6,140,492
U.S corporate debt	-	9,371,578	-	9,371,578
Commercial paper	-	399,762	-	399,762
U.S. Treasury obligations	-	5,041,566	-	5,041,566
Negotiable certificates of deposit	-	4,886,326	-	4,886,326
Total assets at fair value	<u>\$ -</u>	<u>\$ 25,839,724</u>	<u>\$ -</u>	<u>\$ 25,839,724</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the year ended June 30, 2017

NOTE 3: ACCOUNTS RECEIVABLE AND AMOUNTS DUE FROM GOVERNMENTAL AGENCIES

Short-term receivables at June 30, 2017 consisted of the following:

	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
Customer receivables	\$ 310,530	\$ 649,100	\$ 959,630
Due from Federal Government	501,883	258,750	760,633
Due from State Government	125,471	214,287	339,758
Due from El Dorado County	41,824	390,798	432,622
Other receivables	<u>52,134</u>	<u>370,694</u>	<u>422,828</u>
	1,031,842	1,883,629	2,915,471
Allowance for doubtful accounts	<u>(58,328)</u>	<u>(47,502)</u>	<u>(105,830)</u>
Accounts receivable, net of allowance	<u>\$ 973,514</u>	<u>\$ 1,836,127</u>	<u>\$ 2,809,641</u>

Long-term receivables at June 30, 2017 consisted of the following:

	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
Other receivables	\$ 525,745	\$ -	\$ 525,745
Due from State Government	<u>73,020</u>	<u>73,020</u>	<u>146,040</u>
	598,765	73,020	671,785
Allowance for doubtful accounts	<u>(20,000)</u>	<u>(20,000)</u>	<u>(40,000)</u>
Accounts receivable, net of allowance	<u>\$ 578,765</u>	<u>\$ 53,020</u>	<u>\$ 631,785</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.

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 was as follows:

	<u>June 30, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2017</u>
Capital assets not being depreciated					
Land and easement	\$ 24,745,627	\$ -	\$ -	\$ -	\$ 24,745,627
Water rights	1,668,308	-	-	-	1,668,308
Construction in progress	<u>20,135,737</u>	<u>7,715,678</u>	<u>(36,745)</u>	<u>(3,877,144)</u>	<u>23,937,526</u>
Total capital assets not being depreciated	<u>46,549,672</u>	<u>7,715,678</u>	<u>(36,745)</u>	<u>(3,877,144)</u>	<u>50,351,461</u>
Capital assets being depreciated					
Plant and equipment	<u>303,025,302</u>	<u>3,311,758</u>	<u>(254,351)</u>	<u>3,877,144</u>	<u>309,959,853</u>
Less accumulated depreciation					
Plant and equipment	<u>(136,270,038)</u>	<u>(7,680,425)</u>	<u>254,241</u>	<u>-</u>	<u>(143,696,222)</u>
Total capital assets being depreciated, net	<u>166,755,264</u>	<u>(4,368,667)</u>	<u>(110)</u>	<u>3,877,144</u>	<u>166,263,631</u>
Capital assets, net	<u>\$ 213,304,936</u>	<u>\$ 3,347,011</u>	<u>\$ (36,855)</u>	<u>\$ -</u>	<u>\$ 216,615,092</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the year ended June 30, 2017

NOTE 4: CAPITAL ASSETS (continued)

Construction in progress as of June 30, 2017 consisted of the following:

Aeration basin	\$ 1,005,211
Alpine County Master Plan	1,295,525
BMP projects, sewer	174,936
BMP projects, water	201,519
C-Line energy generation	189,305
C-Line reroute	236,334
Collection system master plan	731,829
Concrete coating project	187,101
DVR emergency storage basin	146,188
DVR environmental impact report	769,991
DVR irrigation improvements	10,108,443
DVR nutrient management	84,867
ERP System	87,911
Fallen Leaf Lake upgrades	101,289
Fire hydrants project	150,728
Heavenly system improvements	301,628
Luther Pass Pump Station power controls	5,523,701
Meters project	462,398
Primary clarifiers rehab	314,787
Tallac Creek sewer crossing	60,060
Treatment plant generator	597,639
Water system optimization plan	484,518
Waterline evaluations	86,448
Waterline Ponderosa	84,916
Wildwood interceptor	294,168
Other projects	<u>256,086</u>
	<u>\$ 23,937,526</u>

Depreciation expense for the year ended June 30, 2017 was charged to the different activities as follows:

Sewer	\$ 4,624,254
Water	<u>3,056,171</u>
	<u>\$ 7,680,425</u>

NOTE 5: UNEARNED REVENUE

Unearned revenue represents revenues that had been collected or billed, but not yet earned. Unearned revenue consisted of the following at June 30, 2017:

	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
Connection fee deposits	\$ 803,819	\$ 812,079	\$ 1,615,898
Other unearned revenue	<u>12,410</u>	<u>30,917</u>	<u>43,327</u>
	<u>\$ 816,229</u>	<u>\$ 842,996</u>	<u>\$ 1,659,225</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the year ended June 30, 2017

NOTE 6: LONG TERM LIABILITIES

During the year ended June 30, 2017, the following changes occurred in long-term liabilities:

	June 30, 2016	Additions	Reductions	June 30, 2017	Current Portion
SRF Luther Pass Pump Station	\$ 2,061,671	\$ -	\$ (113,308)	\$ 1,948,363	\$ 116,368
SRF Headworks	801,869	-	(37,792)	764,077	38,812
SRF Emergency Retention Basin	1,105,820	-	(56,171)	1,049,649	57,688
2011 Sewer Installment Agreement	5,438,399	-	(266,441)	5,171,958	276,255
2012 Sewer Refunding	7,798,015	-	(840,711)	6,957,304	860,159
2013 Sewer Refunding	6,853,311	-	(522,440)	6,330,871	535,372
2013 Water Refunding	6,661,588	-	(622,261)	6,039,327	636,466
SRF Meters Phase 1	3,503,116	-	-	3,503,116	116,771
SRF Luther Pass Power	2,647,245	1,061,152	-	3,708,397	-
SRF Diamond Valley Irrigation Improvement	2,467,867	3,256,290	-	5,724,157	-
SRF Meters Phase 2	-	1,098,593	-	1,098,593	23,343
Total	<u>\$ 39,338,901</u>	<u>\$ 5,416,035</u>	<u>\$ (2,459,124)</u>	<u>\$ 42,295,812</u>	<u>\$ 2,661,234</u>

A description of the long-term liabilities at June 30, 2017 follows:

SRF Luther Pass Pump Station

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. For the year ended June 30, 2017, principal and interest payments accounted for 0.7% of total sewer revenues.

SRF Headworks

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. For the year ended June 30, 2017, principal and interest payments accounted for 0.3% of total sewer revenues.

SRF Emergency Retention Basin

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. For the year ended June 30, 2017, principal and interest payments accounted for 0.4% of total sewer revenues.

2011 Sewer Installment Agreement

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 constructions of sewer infrastructure improvements. For the year ended June 30, 2017, principal and interest payments accounted for 2.0% of total sewer revenues.

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the year ended June 30, 2017

2012 Sewer Refunding

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. For the year ended June 30, 2017, principal and interest payments accounted for 4.5% of total sewer revenues.

2013 Sewer Refunding

2013 Sewer Installment Sale Agreement with BBVA Compass Bank, secured by a first lien against all sewer revenues, due August 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. For the year ended June 30, 2017, principal and interest payments accounted for 3.0% of total sewer revenues.

2013 Water Refunding

2013 Water Installment Sale Agreement with BBVA Compass Bank, secured by a first lien against all water revenues, due January 30, 2030, payable \$384,984 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. For the year ended June 30, 2017, principal and interest payments accounted for 5.8% of total water revenues.

SRF Meters Phase 1

2014 California State Water Resources Control Board Revolving Fund Loan secured by a first lien against all water revenues, due January 1, 2047, payable \$58,385 semi-annually, including interest of 0%. The original amount of the debt was \$3,503,116 and was used for installation of water meters. Imputed interest for this loan is not material. For the year ended June 30, 2017, principal and interest payments accounted for 0% of total water revenues.

SRF Luther Pass Power

2015 California State Water Resources Control Board Revolving Fund Loan secured by a first lien against all sewer revenues, due August 31, 2046, payable \$188,154 annually, including interest of 1.6%. The original amount of the debt was \$4,444,057 and was used for construction of Luther Pass Pump Station upgrades. For the year ended June 30, 2017, principal and interest payments accounted for 0.3% of total sewer revenues.

SRF Diamond Valley Ranch Irrigation Improvement

2015 California State Water Resources Control Board Revolving Fund Loan secured by a first lien against all sewer revenues, due December 31, 2047, payable \$374,181 annually, including interest of 1.6%. The original amount of the debt was \$8,860,890 and was used for construction of the Diamond Valley Ranch Irrigation improvements. For the year ended June 30, 2017, principal and interest payments accounted for 0.2% of total sewer revenues.

SRF Meters Phase 2

2017 California State Water Resources Control Board Revolving Fund Loan secured by a first lien against all water revenues, due January 1, 2037, payable \$32,204 semi-annually, including interest of 1.6%. The original amount of the debt was \$1,098,593 and was used for installation of water meters. Imputed interest for this loan is not material. For the year ended June 30, 2017, principal and interest payments accounted for 0% of total water revenues.

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the year ended June 30, 2017

NOTE 6: LONG TERM LIABILITIES (continued)

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

Years ending June 30,	Principal	Interest	Total
2018	\$ 2,661,234	\$ 798,963	\$ 3,460,197
2019	2,996,316	-	2,996,316
2020	2,919,090	763,287	3,682,377
2021	2,838,602	696,577	3,535,179
2022	2,905,324	629,855	3,535,179
2023 - 2027	12,991,687	2,146,061	15,137,748
2028 - 2032	7,252,185	900,770	8,152,955
2033 - 2037	2,542,878	414,228	2,957,106
2038 - 2042	2,342,853	264,974	2,607,827
2043 - 2047	2,336,791	122,062	2,458,853
2048	508,852	6,273	515,125
	<u>\$ 42,295,812</u>	<u>\$ 6,743,050</u>	<u>\$ 49,038,862</u>

Interest charges on debt, including amounts capitalized totaling \$106,461, for the year ended June 30, 2017 was \$813,155.

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, 2017.

NOTE 7: COMPENSATED ABSENCES

Compensated absences balance and activity for the year ended June 30, 2017 were as follows:

	June 30, 2016	Additions	Reductions	June 30, 2017	Current Portion
Compensated absences	<u>\$ 3,314,551</u>	<u>\$ 1,789,470</u>	<u>\$ (1,957,046)</u>	<u>\$ 3,146,975</u>	<u>\$ 1,301,626</u>

NOTE 8: INTERFUND LOAN

During the year ended June 30, 2017, the sewer fund loaned the water fund \$3 million to provide bridge funding for the water meter installation projects. This funding helps cover the expenses of the meter installations until the District is reimbursed from the Clean Water State Revolving Loan. The water fund is to reimburse the sewer fund, including interest, by June 30, 2021, when all remaining meter installations are expected to be complete and the District has been completely reimbursed from the loan funds. Interest on the loan will be paid at the same rate received by the District on its funds invested in the California Local Agency Investment Fund.

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the year ended June 30, 2017

NOTE 9: PENSION PLAN**A. General Information about the Pension Plan**Plan Description

All qualified permanent and probationary employees are eligible to participate in the District's Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan), administered by the California Public Employees' Retirement System (CalPERS). The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all others). Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety and miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the safety or miscellaneous pools. The District sponsors two rate plans (both miscellaneous). Benefit provisions under the Plan are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits.

The District has one local Miscellaneous Retirement Benefit Plan, with two tiers. Tier I benefits for members hired before January 1, 2013 are under the 2.7% @ 55 retirement formula, and Tier II benefits for members hired on or after January 1, 2013 are under the 2% at 62 retirement formula.

Tier I final compensation is calculated using the highest average pay rate and special compensation during a three year period. Tier I employee contributions are shared by the employer and employee. This tier and retirement formula is closed to employees hired on or after January 1, 2013 with the exception of employees considered to be Classic Members with a break in CalPERS qualified employment of less than 6 months and who did not receive a refund of their contributions on deposit with the retirement fund. Tier II final compensation is calculated using the highest average pay rate and special compensation during any consecutive three-year period. Tier II employee contributions are paid by the employee.

The rate plan's provisions and benefits in effect at June 30, 2017, are summarized as follows:

	Miscellaneous Plan	
	Hired prior to January 1, 2013	Hired on or after January 1, 2013
Benefit Formula	2.7% at 55	2.0% at 62
Benefit Vesting Schedule	5 years service	5 years service
Benefit Payments	monthly for life	monthly for life
Retirement Age	50 - 55	52 - 67
Monthly Benefits, as a % of Eligible Compensation	2.0% - 2.7%	1.0% - 2.5%
Required Employee Contribution Rate	8.000%	6.250%
Required Employer Contribution Rate	15.455%	6.564%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The District's contributions to the Plan for the year ended June 30, 2017 were \$1,369,744.

NOTES TO THE BASIC FINANCIAL STATEMENTS
 For the year ended June 30, 2017

NOTE 9: PENSION PLAN (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2017, the District reported a net pension liability of \$8,639,873 for its proportionate share of the net pension liability of the Plan.

The District's net pension liability is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2016, and the total pension liability of the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability to the Plan as of June 30, 2016 and 2015 was follows:

Proportion - June 30, 2015	0.25560%
Proportion - June 30, 2016	<u>0.24871%</u>
Change - decrease	<u>(0.00689)%</u>

For the year ended June 30, 2017, the District recognized pension expense of \$1,270,356. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to the measurement date	\$ 1,369,744	\$ -
Difference between actual contributions made by employer and the employer's proportionate share of the risk pool's total contribution	771,615	-
Difference between actual and expected experience	36,007	-
Changes in assumptions	-	(441,910)
Adjustment due to differences in proportions	811,617	(406,646)
Net difference between projected and actual earning on plan investments	<u>2,299,997</u>	<u>-</u>
Total	<u>\$ 5,288,980</u>	<u>\$ (848,556)</u>

\$1,369,744 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period Ended June 30,			
2018	\$	818,617	
2019		656,883	
2020		999,454	
2021		595,726	

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the year ended June 30, 2017

NOTE 9: PENSION PLAN (continued)Actuarial Assumptions

The total pension liabilities in the June 30, 2015 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry-age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.65% net of pension plan investment expenses, includes inflation
Mortality (1)	Derived using CalPERS membership data for all funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until purchasing protection allowance floor on purchasing power applied, 2.75% thereafter

(1): The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more on this table, please refer to the 2014 Experience Study Report.

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Changes in Assumptions

There were no changes of assumptions during the measurement period ended June 30, 2016. Deferred inflows of resources for changes in assumptions presented in the deferred outflows/inflows table above represents the portion of the changes of assumptions related to prior measurement periods.

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of the discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. The tests revealed the assets would not run out. Therefore, the current 7.65 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65 percent is applied to all plans in the Public Employees' Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Taking into account historical returns of all the Public Employees Retirement Funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each PERF fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the year ended June 30, 2017

NOTE 9: PENSION PLAN (continued)

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the Board effective on July 1, 2015.

<u>Asset Class</u>	<u>Current Target Allocation</u>	<u>Real Return Years 1-10 (1)</u>	<u>Real Return Years 11+ (2)</u>
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	20.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	1.0%	(0.55%)	(1.05%)

(1) An expected inflation of 2.5% used for this period.

(2) An expected inflation of 3.0% used for this period.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>Discount Rate - 1%</u> <u>(6.65%)</u>	<u>Current Discount Rate</u> <u>(7.65%)</u>	<u>Discount Rate + 1%</u> <u>(8.65%)</u>
Net pension liability	\$ 13,359,519	\$ 8,639,873	\$ 4,739,321

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

NOTE 10: 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 may elect to contribute, through salary reductions, up to the IRC (g) limit (\$18,000 in 2016).

The 457 Plan assets totaled \$15,991,195 at June 30, 2017. Plan assets consist of investments in mutual funds, which are held in trust and are considered protected from the general creditors of the District.

NOTE 11: 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 13. 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.

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2017

NOTE 12: COMMITMENTS AND CONTINGENCIES

A. Contractual Obligations

At June 30, 2017, the District's significant contractual commitments with outside firms for engineering, construction, consulting, and various other services totaled approximately \$5.8 million.

At June 30, 2017, 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 had recorded them in accrued liabilities.

B. Contingencies

The District has received federal and state grants for specific purposes that are subject to review and audit by the federal and state government. Although such audits could result in expenditure disallowances under grant terms, any required reimbursements are not expected to be material.

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 13: DEFERRED AMOUNT ON REFUNDING

The deferred amount on refunding is not included in the calculation of net investment in capital assets.

NOTE 14: 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. CSRMA is governed by a Board of Directors consisting of representatives from member agencies, which controls the operations of the CSRMA, including selection of management and approval of operating budgets.

The following is a summary of the most current audited financial information for CSRMA as of June 30, 2016 (the most recent information available):

Total assets	\$ 28,336,567
Total liabilities	16,735,609
Net assets	11,600,958
Total income	11,843,583
Total expense	10,946,085

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 under this 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, California Asset Management Program (CAMP), which provides professional investment services to California public agencies. Members of CAMP can participate in the Cash Reserve Portfolio. CAMP is governed by a Board of Trustees, which is made up of experienced local government finance directors, treasurers, and school business officials. Trustees control the operation of CAMP, including formation and implementation of its investment and operating policies.

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the year ended June 30, 2017

The following is a summary of the most current audited financial information for the CAMP portfolio as of December 31, 2016 (the most recent information available):

Total assets	\$ 2,031,800,222
Total liabilities	444,934
Net assets	2,031,355,288
Total income	11,533,541
Total expenses	2,407,424
Net increase in net assets resulting from operations	9,126,177

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

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

NOTE 15: 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 16: INVESTMENT EARNINGS

Investment earnings consisted of the following for the year ended June 30, 2017:

Interest income	\$ 374,267
Realized and unrealized losses	<u>(218,321)</u>
	<u>\$ 155,946</u>

NOTE 17: OTHER OPERATING EXPENSES

Other operating expenses consisted of the following for the year ended June 30, 2017:

Professional services	\$ 1,573,028
Operating permits	446,777
Chemical supplies	250,019
Office expense	246,777
Insurance and unreimbursed claims	744,585
Travel, meetings, and education	201,245
Research and monitoring	45,460
Miscellaneous expense	<u>1,096,618</u>
	<u>\$ 4,604,509</u>

NOTE 18: SUBSEQUENT EVENT

On September 28, 2017, the District executed a construction installment sale agreement with the California State Water Resources Control Board for \$14,010,534 to fund phases three through five of the water meter installation project. Construction is to begin no later than June 20, 2017 and completed by October 15, 2020. The loan will be payable annually over 30 years, including interest of 1.8%

REQUIRED SUPPLEMENTAL INFORMATION
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 As of June 30, 2017 (Last 10 Years*)

	Measurement Period		
	2016	2015	2014
Proportion of the net pension liability	0.24871%	0.25560%	0.24100%
Proportionate share of the net pension liability	\$ 8,639,873	\$ 7,012,372	\$ 5,945,128
Covered - employee payroll	\$ 9,428,197	\$ 8,791,579	\$ 8,813,523
Proportionate share of the net pension liability as a percentage of covered - employee payroll	91.64%	79.76%	67.45%
Plan fiduciary net position as a percentage of the total pension liability	74.06%	78.40%	79.82%

* This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

REQUIRED SUPPLEMENTAL INFORMATION
 SCHEDULE OF CONTRIBUTIONS TO THE COST SHARING DEFINED BENEFIT PENSION PLAN
 As of June 30, 2017 (Last 10 Years*)

	Fiscal Year-End		
	2017	2016	2015
Contractually required contribution (actuarially determined)	\$ 1,369,744	\$ 1,278,986	\$ 1,545,374
Contributions in relation to the actuarially determined contributions	<u>1,369,744</u>	<u>1,278,986</u>	<u>1,545,374</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered - employee payroll	\$ 9,307,465	\$ 9,428,197	\$ 8,791,579
Contributions as a percentage of covered - employee payroll	14.72%	13.57%	17.58%

* This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.



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Reliable Services During Challenging Times



STATISTICAL SECTION OBJECTIVES

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

<u>Contents</u>	<u>Page</u>
<u>Financial Trends Data</u>	
Changes in Net Position	46-47
Net Position by Component	48
<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	49
Annual Sewer and Water Rates	50
Annual Sewer Permits Issued	50
Rate Increase History	50
Annual Service Fee Comparison	51
Ten Largest Customers	52
Sewer and Water Service Charges by Type of Customer	53
Principal Employers	54
Property Tax Assessments and Levies – Sewer Enterprise Fund	55
Property Tax Rates All Direct and Overlapping Governments	55
Principal Property Taxpayers	56
<ul style="list-style-type: none"> • These schedules present revenue capacity information for assessing the District's ability to generate revenue. Sewer and Water Service Charges and Property Taxes are the District's most significant revenue sources. 	
<u>Debt Capacity Data</u>	
Ratios of Outstanding Debt by Type	57
<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	58
<ul style="list-style-type: none"> • This schedule shows net revenue available for debt service and related coverage ratios. 	
<u>Operating Information</u>	
Capital Spending	59
Capital Asset Statistics by Function/Program	59
Detail of Capital Spending	60
<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	61
<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	62
<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	63
<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. 	
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 Reliable Services During Challenging Times

CHANGES IN NET POSITION

Last Ten Fiscal Years

	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>
Operating revenues:				
Charges for sales and services:				
Service charges	\$24,054,288	\$22,356,964	\$21,048,326	\$19,857,736
Connection and service fees	1,807,033	1,623,742	2,646,447	2,477,127
Other operating income	<u>343,714</u>	<u>301,952</u>	<u>360,636</u>	<u>385,661</u>
Total operating revenues	<u>26,205,035</u>	<u>24,282,658</u>	<u>24,055,409</u>	<u>22,720,524</u>
Operating expenses:				
Salaries, wages and employee benefits	14,728,493	13,256,886	13,869,664	13,868,223
Depreciation and amortization	7,680,425	7,520,917	7,405,554	7,266,377
Utilities	2,936,986	2,739,345	2,636,321	2,683,320
Repairs and maintenance	1,933,796	1,744,263	1,611,897	1,488,279
Other operating expenses	4,604,509	3,938,180	3,923,978	3,774,104
Loss on disposal of assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>31,884,209</u>	<u>29,199,591</u>	<u>29,267,414</u>	<u>29,080,303</u>
Operating income (loss)	<u>(5,679,174)</u>	<u>(4,916,933)</u>	<u>(5,212,005)</u>	<u>(6,359,779)</u>
Nonoperating revenues (expenses):				
Tax revenue	7,491,933	7,106,309	6,761,836	6,362,637
Investment earnings	155,946	405,293	205,884	216,698
Aid from governmental agencies	1,057,716	357,044	503,417	539,624
Other nonoperating income	362,175	426,582	287,410	365,523
Interest expense	(813,155)	(738,504)	(813,055)	(879,398)
Other expense	<u>(252,395)</u>	<u>(224,345)</u>	<u>(173,181)</u>	<u>(312,018)</u>
Total nonoperating revenues	<u>8,002,220</u>	<u>7,332,379</u>	<u>6,772,311</u>	<u>6,293,066</u>
Income before contributions	2,323,046	2,415,446	1,560,306	(66,713)
Capital contributions (reimbursements)	<u>466,496</u>	<u>385,971</u>	<u>290,077</u>	<u>702,863</u>
Change in net position	<u>\$ 2,789,542</u>	<u>\$2,801,417</u>	<u>\$ 1,850,383</u>	<u>\$ 636,150</u>

SOURCE: South Tahoe Public Utility District Finance Department

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 Reliable Services During Challenging Times

CHANGES IN NET POSITION - continued
 Last Ten Fiscal Years

<u>2012-13</u>	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>	<u>2007-08</u>
\$19,905,104	\$18,996,769	\$18,843,974	\$18,604,175	\$18,893,889	\$17,989,037
1,732,924	985,935	991,440	833,048	1,846,994	2,012,435
<u>396,604</u>	<u>342,608</u>	<u>400,643</u>	<u>336,922</u>	<u>336,923</u>	<u>352,641</u>
<u>22,034,632</u>	<u>20,325,312</u>	<u>20,236,057</u>	<u>19,774,145</u>	<u>21,077,806</u>	<u>20,354,113</u>
14,041,923	13,388,830	13,619,980	13,120,439	12,392,517	12,632,661
7,175,923	7,067,228	6,919,963	6,582,930	6,098,782	6,428,947
2,746,641	2,494,186	2,740,754	2,707,769	2,263,497	3,051,521
1,427,598	1,408,910	1,381,239	1,297,337	1,631,748	1,936,648
3,135,358	2,857,630	3,234,225	3,002,659	2,975,492	3,191,607
<u>-</u>	<u>9,418</u>	<u>68,397</u>	<u>201,297</u>	<u>-</u>	<u>-</u>
<u>28,527,443</u>	<u>27,226,202</u>	<u>27,964,558</u>	<u>26,912,431</u>	<u>25,732,036</u>	<u>27,241,384</u>
<u>(6,492,811)</u>	<u>(6,900,890)</u>	<u>(7,728,501)</u>	<u>(4,654,230)</u>	<u>(6,887,271)</u>	<u>(4,704,134)</u>
6,167,800	6,120,827	6,198,253	6,638,488	6,667,671	6,404,070
146,637	300,142	306,131	443,430	1,649,122	2,264,933
317,492	483,547	360,360	212,228	344,530	1,111,171
282,581	250,967	317,025	665,179	530,507	448,190
(1,284,731)	(1,097,536)	(848,177)	(958,451)	(1,345,841)	1,353,088)
<u>(228,814)</u>	<u>(221,384)</u>	<u>(216,855)</u>	<u>(228,414)</u>	<u>(196,410)</u>	<u>(183,917)</u>
<u>5,400,965</u>	<u>5,836,563</u>	<u>6,116,737</u>	<u>7,649,579</u>	<u>8,691,359</u>	<u>8,347,902</u>
(1,091,846)	(1,064,327)	(1,611,764)	(365,826)	2,995,349	1,804,088
<u>2,252,318</u>	<u>1,547,745</u>	<u>5,543,204</u>	<u>2,999,511</u>	<u>4,079,206</u>	<u>527,652</u>
<u>\$ 160,472</u>	<u>483,418</u>	<u>\$ 3,931,440</u>	<u>\$ 2,633,685</u>	<u>\$ 7,074,555</u>	<u>\$ 2,331,740</u>

Reliable Services During Challenging Times

NET POSITION BY COMPONENT

Last Ten Fiscal Years

	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>	<u>2012-13</u>
Business-type activities					
Net investment in					
capital assets	\$172,100,162	\$173,966,035	\$169,814,512	\$172,911,935	\$171,826,113
Restricted for MTBE-					
related costs	-	-	-	-	380,322
Restricted for security					
deposits	165,000	165,000	165,000	165,000	275,000
Restricted for debt					
service payment	1,116,622	876,779	-	-	-
Restricted for capital					
asset purchases	3,000,000	464,523	463,113	4,089,561	7,120,114
Unrestricted	<u>25,131,753</u>	<u>23,251,658</u>	<u>25,479,953</u>	<u>23,077,471</u>	<u>20,006,268</u>
Total business-type activities					
net position	<u>\$201,513,537</u>	<u>\$198,723,995</u>	<u>\$195,922,578</u>	<u>\$200,243,967</u>	<u>\$199,607,817</u>

	<u>2011-10</u>	<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>	<u>2007-08</u>
Business-type activities					
Net investment in					
capital assets	\$171,743,660	\$168,387,320	\$160,847,520	\$152,139,268	\$147,205,534
Restricted for MTBE-					
related costs	473,264	2,789,890	7,355,783	10,527,539	11,332,020
Restricted for security					
deposits	275,000	275,000	275,000	275,000	235,000
Restricted for debt					
service payment	-	-	-	-	-
Restricted for capital					
asset purchases	-	-	-	-	-
Unrestricted	<u>27,233,548</u>	<u>27,789,844</u>	<u>26,832,311</u>	<u>29,735,122</u>	<u>26,829,802</u>
Total business-type activities					
net position	<u>\$199,725,472</u>	<u>\$199,242,054</u>	<u>\$195,310,614</u>	<u>\$192,676,929</u>	<u>\$185,602,374</u>

SOURCE: South Tahoe Public Utility District Finance Department

Reliable Services During Challenging Times

WATER AND SEWER SERVICE CHARGES -
BILLINGS AND COLLECTIONS

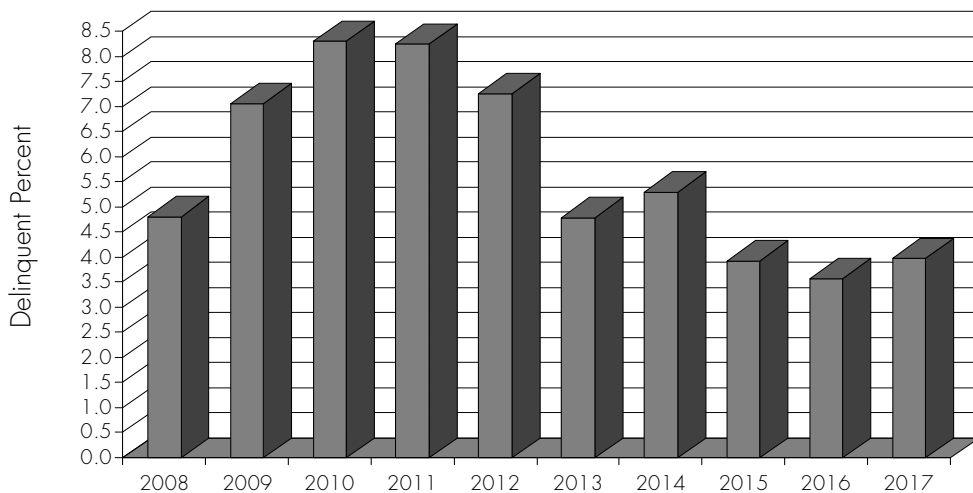
Last Ten Fiscal Years

Fiscal Year	Delinquent Receivables	Delinquent Accounts	Annual Billing		Total Annual Billing	Delinquent Percent
			Sewer Charges	Water Charges		
2016-17	\$953,924	2,148	\$11,981,860	\$10,375,104	\$24,054,288	3.97
2015-16	799,316	2,094	11,981,860	10,375,104	22,356,964	3.57
2014-15	828,367	2,201	11,243,512	9,804,814	21,048,326	3.93
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

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.

BILLINGS AND COLLECTIONS



ANNUAL SEWER AND WATER RATES

Last Ten Fiscal Years

TYPICAL SINGLE FAMILY RESIDENCE (1)

Fiscal Year	Sewer	Water(3)	Total
2016-17	\$449.52	\$590.80	\$1,040.32
2015-16	\$424.08	\$554.80	\$978.88
2014-15	\$400.08	\$521.00	\$921.08
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

TYPICAL COMMERCIAL METERED WATER RATE (2)

Fiscal Year	2" Meter Charge(3)	Consumption Charge Per 100 cu. ft.
2016-17	\$2,684.00	\$1.36
2015-16	\$2,521.60	\$1.28
2014-15	\$2,367.80	\$1.20
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

ANNUAL SEWER PERMITS ISSUED

Last Ten Fiscal Years

RATE INCREASE HISTORY

Last Ten Fiscal Years

Fiscal Year	Number of Permits	Sewer	Water
2016-17	102	6.0%	6.5%
2015-16	82	6.0%	6.5%
2014-15	109	6.0%	6.5%
2013-14	96	0.0%	0.0%
2012-13	67	5.0%	2.0%
2011-12	50	3.0%	0.0%
2010-11	53	2.0%	2.5%
2009-10	62	0.0%	0.0%
2008-09	58	4.0%	4.0%
2007-08	114	4.0%	4.0%

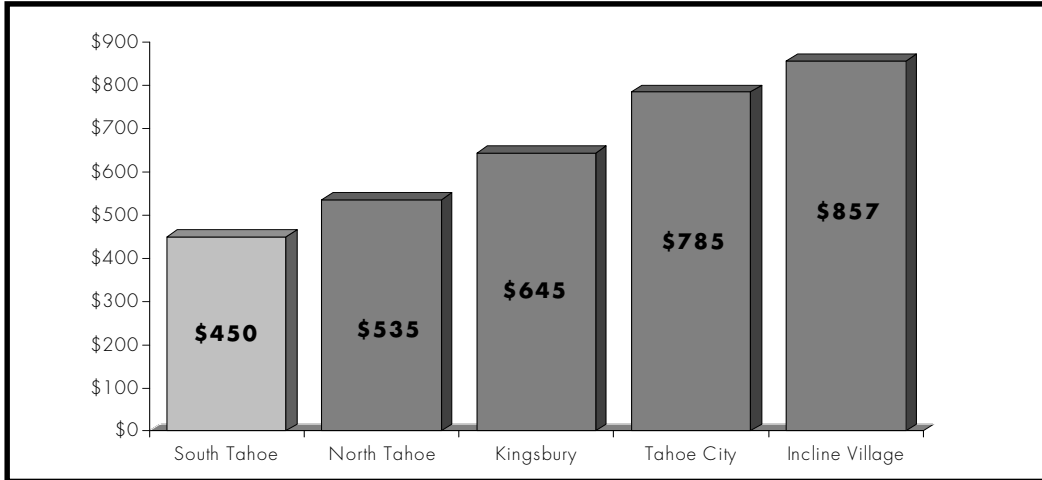
SOURCE: South Tahoe Public Utility District Customer Service Department

Notes:

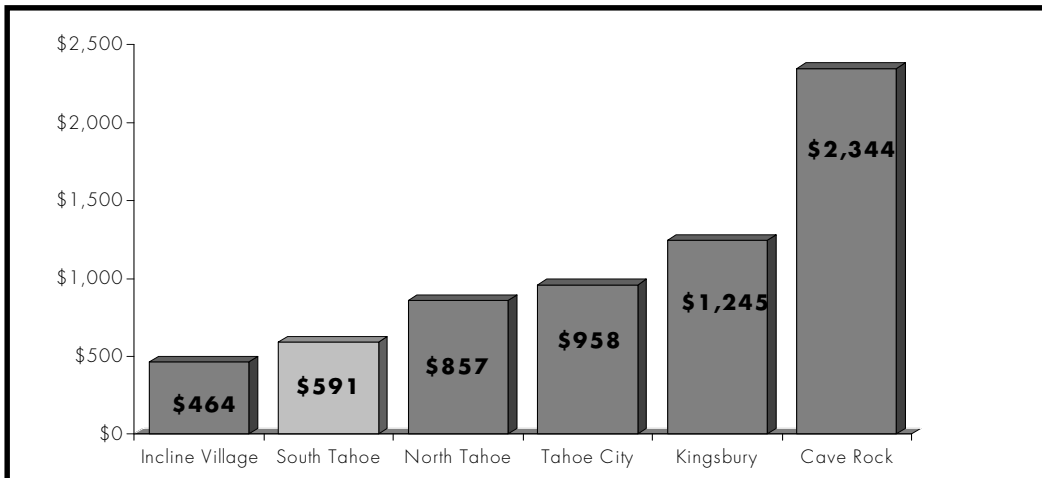
- (1) Most residential customers pay a flat rate for water and sewer. The sewer rate shown here is for a home with up to two bathrooms.
- (2) Most commercial customers pay metered water rates that include the meter charge based on the size of their water line plus a consumption charge based on water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

ANNUAL SERVICE FEE COMPARISON

2016-17 ANNUAL SEWER SERVICE FEE COMPARISON



2016-17 ANNUAL WATER SERVICE FEE COMPARISON



SOURCE: South Tahoe Public Utility District Finance Department.

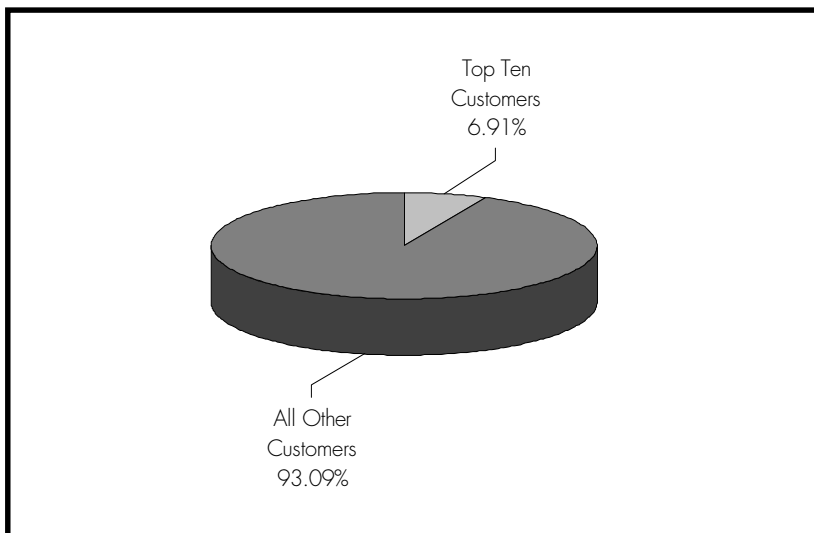
TEN LARGEST CUSTOMERS

Current Year and Nine Years Ago

Customer	2016-17			2007-08		
	Total Revenue	Rank	% of Service Charge	Total Revenue	Rank	% of Service Charge
City of South Lake Tahoe	\$ 239,670	1	1.00	\$ 112,298	9	0.62
Heavenly Mountain Resort	218,972	2	0.91	295,267	1	1.64
Lake Tahoe Unified School District	212,392	3	0.88	130,163	5	0.72
Marriott Grand Residence	168,380	4	0.70	207,714	2	1.15
Lake Tahoe Resort Partners (Embassy Vacation Resorts)	161,085	5	0.67	117,667	6	0.65
Marriott Timberlodge	158,436	6	0.66	112,445	8	0.62
Tahoe Verde	144,457	7	0.60	152,067	3	0.84
Lake Tahoe Resort Hotel (Embassy Suites)	130,731	8	0.54	130,163	4	0.72
County of El Dorado	113,984	9	0.47	94,779	10	0.53
Barton Memorial Hospital	113,669	10	0.47	-	-	-
Lake Tahoe Development	-	-	-	116,784	7	0.65
	\$1,661,777		6.91%	\$1,469,971		8.15%

SOURCE: South Tahoe Public Utility District Customer Service Department

2016-17 TOTAL REVENUE



SEWER AND WATER SERVICE CHARGES BY TYPE OF CUSTOMER

Last Ten Fiscal Years

Type of Customer	2016-17	2015-16	2014-15	2013-14	2012-13
Residential	\$19,411,625	\$18,093,784	\$17,004,356	\$15,921,932	\$15,766,282
Motel/Hotel/ Timeshare	1,786,248	1,640,110	1,521,542	1,575,233	1,685,628
Commercial	2,039,569	1,870,480	1,827,546	1,709,822	1,822,487
Government	812,035	748,119	690,672	646,778	626,726
Industrial	4,811	4,471	4,210	3,971	3,981
	\$24,054,288	\$22,356,964	\$21,048,326	\$19,857,736	\$19,905,104

Type of Customer	2011-12	2010-11	2009-10	2008-09	2007-08
Residential	\$14,874,714	\$14,727,584	\$14,435,526	\$14,541,849	\$13,850,793
Motel/Hotel/ Timeshare	1,712,233	1,704,018	1,663,568	1,738,703	1,648,852
Commercial	1,844,508	1,851,064	1,885,331	2,055,314	1,946,998
Government	561,515	557,727	616,079	553,747	538,521
Industrial	3,799	3,581	3,671	4,276	3,873
	\$18,996,769	\$18,843,974	\$18,604,175	\$18,893,889	\$17,989,037

SOURCE: South Tahoe Public Utility District Customer Service Department

Reliable Services During Challenging Times

PRINCIPAL EMPLOYERS

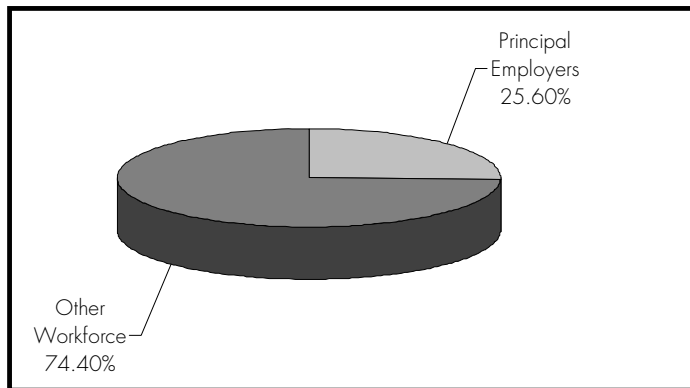
Current Year and Nine Years Ago

Employer	Type of Business	2016-17			2007-08		
		Number of Employees	Rank	% of Total Workforce	Number of Employees	Rank	% of Total Workforce
Barton Memorial Hospital	Health Services	846	1	7.2%	953	1	6.0%
Lake Tahoe Unified School District	Education	427	2	3.6%	446	2	2.8%
Heavenly Mountain Resort	Ski Industry	404	3	3.4%	200	9	1.3%
Lake Tahoe Community College	Education	248	4	2.1%	260	4	1.6%
El Dorado County	Government	241	5	2.1%	200	8	1.3%
City of South Lake Tahoe	Government	206	6	1.8%	212	7	1.3%
Marriott Corporation	Lodging	187	7	1.6%	300	3	1.8%
Lake Tahoe Resort Hotel	Lodging	176	8	1.5%	-	-	-
Raley's	Food/Drug	143	9	1.2%	251	6	1.5%
United States Forest Service	Government	132	10	1.1%	262	5	1.6%
South Tahoe Public Utility District	Utilities	-	-	-	113	10	0.7%
Subtotal		2,781		25.6%	3,197		19.9%
Total Workforce		11,791			15,969		

SOURCE: South Tahoe Public Utility District Finance Department

Note: Number of employees is based on full-time equivalents.

2016-17 TOTAL WORKFORCE



Reliable Services During Challenging Times

PROPERTY TAX ASSESSMENTS AND LEVIES -
SEWER ENTERPRISE FUND

Last Ten Fiscal Years (Value in Thousands)

Fiscal Year	SECURED Assessed		UNSECURED Assessed		TOTAL (1) Assessed		County Admin. Fee
	Valuation	Levy	Valuation	Levy	Valuation	Levy	
2016-17	\$6,474,355	\$7,122	\$106,573	\$117	\$6,580,928	\$7,239	(\$172)
2015-16	\$6,168,633	\$6,785	\$104,789	\$115	\$6,273,422	\$6,900	(\$144)
2014-15	\$5,854,681	\$6,382	\$108,244	\$118	\$5,962,925	\$6,500	(\$117)
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)

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	2016-17	2015-16	2014-15	2013-14	2012-13
County General Levy	1.0000	1.0000	1.0000	1.0000	1.0000
Lake Tahoe Community College (1)	0.0226	0.0240	-	-	-
Lake Tahoe Unified School District	0.0634	0.0667	0.0667	0.0690	0.0684
TOTAL		1.0907	1.0667	1.0690	1.0684

Government	2011-12	2010-11	2009-10	2008-09	2007-08
County General Levy	1.0000	1.0000	1.0000	1.0000	1.0000
Lake Tahoe Community College	-	-	-	-	-
Lake Tahoe Unified School District	0.0542	0.0522	0.0452	0.0194	0.0190
TOTAL	1.0542	1.0522	1.0452	1.0194	1.0190

SOURCE: California Municipal Statistics, Inc.

(1) The District began collecting this data in fiscal year 2015-16.

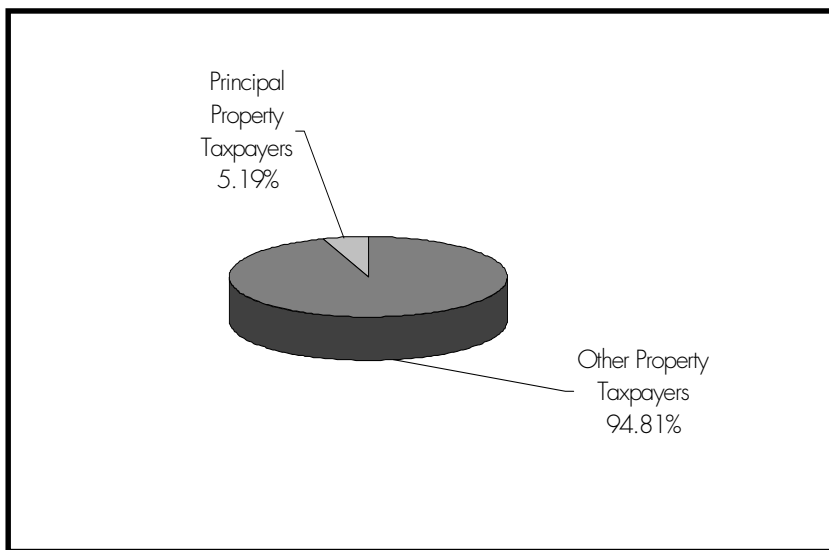
PRINCIPAL PROPERTY TAXPAYERS

Current Year and Nine Years Ago

Taxpayer	2016-17			2007-08		
	Taxable Assessed Value	Rank	Percentage of Total District Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total District Taxable Assessed Value
Heavenly Valley LP	\$ 67,591,521	1	1.04	\$ 78,859,018	1	1.34
First American Trust FSB	63,100,228	2	0.97	-	-	-
Roppongi-Tahoe LP	46,098,361	3	0.71	47,592,459	2	0.81
Trans-Sierra Investments	33,260,502	4	0.51	36,345,487	4	0.62
Tahoe Crescent Partnership LLC	27,683,789	5	0.43	19,954,966	7	0.34
Tahoe Stateline Venture CA	25,303,823	6	0.39	-	-	-
Marriott Ownership Resorts	20,404,253	7	0.32	46,482,711	3	0.62
South Tahoe Refuse Co. Inc.	19,580,874	8	0.30	-	-	-
Tahoe Verde Partnership	17,794,725	9	0.27	-	-	-
Urbana Tahoe LLC	15,956,235	10	0.25	-	-	-
Seven Springs LP	-	-	-	14,944,240	9	0.25
Robert and Lisa Maloff	-	-	-	14,911,465	10	0.25
Lake Tahoe Development Co.	-	-	-	23,877,940	5	0.41
Lake Tahoe Resort Partners	-	-	-	21,676,846	6	0.37
Sierra Shores	-	-	-	18,118,114	8	0.31
	\$336,774,311		5.19	\$322,763,546		5.50

SOURCE: California Municipal Statistics, Inc.

2016-17 TAXPAYERS



RATIOS OF OUTSTANDING DEBT BY TYPE (1)

Last Ten Fiscal Years

Business-Type Activities

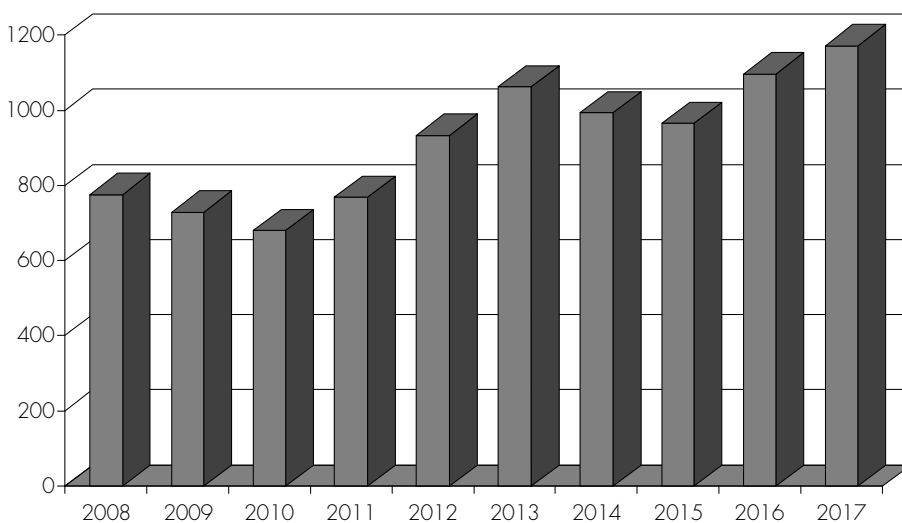
Fiscal Year	Water Revenue Bonds	Sewer Certificates of Participation	Term Loans	Total	Debt Per Capita(2)	Debt as a Share of Personal Income (2)
2016-17	\$ -	\$ -	\$42,295,812	\$42,295,812	\$1,171	3.83%
2015-16	-	-	39,338,901	39,338,901	1,097	3.84%
2014-15	-	-	35,444,404	35,444,404	966	3.51%
2013-14	-	-	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	-

SOURCE: South Tahoe Public Utility District Finance Department

Notes:

- (1) Details regarding the District's outstanding debt can be found in Note 6 of the financial statements.
- (2) See the Demographics and Economic Statistics schedule on page 63 for population and per capita income data.

2016-17 DEBT PER CAPITA



PLEDGED REVENUE COVERAGE

Last Ten Fiscal Years

Sewer Enterprise Fund

Fiscal Year	Gross Revenues (3)	Less: Operating Expenses (1)	Net Available Revenues	Principal	Debt Service Interest (2)	Coverage Ratio(s) (4)
2016-17	22,512,242	15,296,972	7,215,270	1,836,864	736,032	2.8
2015-16	20,627,606	12,902,928	7,724,678	1,790,323	687,405	3.1
2014-15	20,135,965	13,293,338	6,842,627	1,744,996	715,378	2.8
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

Water Enterprise Fund

Fiscal Year	Gross Revenues(3)	Less: Operating Expenses (1)	Net Available Revenues	Principal	Debt Service Interest (2)	Coverage Ratio(s) (4)
2016-17	12,760,559	9,370,372	3,390,187	622,261	145,893	4.4
2015-16	11,950,279	9,000,093	2,950,186	608,372	154,690	3.9
2014-15	11,677,991	8,741,703	2,936,288	1,099,223	169,568	2.3
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

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 6 to the Financial Statements for details on the revenue pledges for each debt obligation.

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

S | T | P | U | D
 Reliable Services During Challenging Times

CAPITAL SPENDING
 Last Ten Fiscal Years

Fiscal Year	Total	Sewer Enterprise Fund	Water Enterprise Fund
2016-17	\$ 11,047,443	\$ 8,156,650	\$ 2,890,793
2015-16	15,588,259	11,528,126	4,060,133
2014-15	8,768,885	2,076,692	6,692,193
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
	\$121,011,779	\$62,018,965	\$58,992,814

SOURCE: South Tahoe Public Utility District Finance Department

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

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
 Last Eight Fiscal Years

Fiscal Year	Sewer Lines (miles)	Sewer Treatment Capacity (million gallons)	Water Lines (miles)	Fire Hydrants	Water Storage Capacity (million gallons)
2016-17	336	7.7	254	1,854	9.3
2015-16	336	7.7	254	1,806	9.3
2014-15	336	7.7	254	1,737	9.3
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

S | T | P | U | D
 Reliable Services During Challenging Times

DETAIL OF CAPITAL SPENDING
 Fiscal Year Ending June 30, 2016

Project Description	Spending 2016-17	Spending To 6-30-17	Completion Date
<i>Sewer Projects:</i>			
C-Line Re-Routing/Energy Generation	\$ -	\$ 425,639	In progress
Collection System Master Plan	-	731,829	In progress
DVR Irrigation Improvements Project	4,161,499	10,108,444	In progress
BMP Projects	-	174,936	In progress
Trout Creek Rstoration	218,545	1,530,836	6/30/2017
Luther Pass Pump Station Power Control Update	1,056,486	5,523,701	In progress
Recycled Water Master Plan/Env. Impact Report	-	2,065,516	In progress
Concrete Coating Rehab Projects	-	187,101	In progress
Sewer Repair: Tahoe Keys	404,629	404,629	In progress
Aeration Basin 2 Rehab	936,386	1,005,210	In progress
Primary Clarifier #1 Rehab	149,039	314,787	In progress
Various Purchases/Projects Completed	666,105	1,209,424	Various
Various Projects in Progress	563,961	1,602,112	In progress
Total Sewer Projects	\$ 8,156,650	\$25,284,164	
<i>Water Projects:</i>			
Fire Hydrants Project	605,672	1,538,982	5/31/2017
Water Meters Projects Phase 2	1,198,728	2,425,737	6/30/2017
Water Meters Projects Phase 3-5	384,441	444,843	In progress
BMP Projects	-	201,518	In progress
Keller-Heavenly System Improvements	204,340	301,629	In progress
Water System Optimization Plan	-	484,518	In progress
2017 4" Fire Hydrants Projects	150,728	150,728	In progress
Sierra Tract Waterline Relocation	7,295	115,268	6/30/2017
Various Purchases/Projects Completed	230,791	401,846	Various
Various Projects in Progress	108,798	377,266	In progress
Total Water Projects	\$ 2,890,793	\$ 6,442,335	
Total All Projects	\$11,047,443	\$31,726,499	

SOURCE: South Tahoe Public Utility District Finance Department

Note: Capital spending, less asset deletions, ties to the change in Capital Assets on the Statement of Net Position.

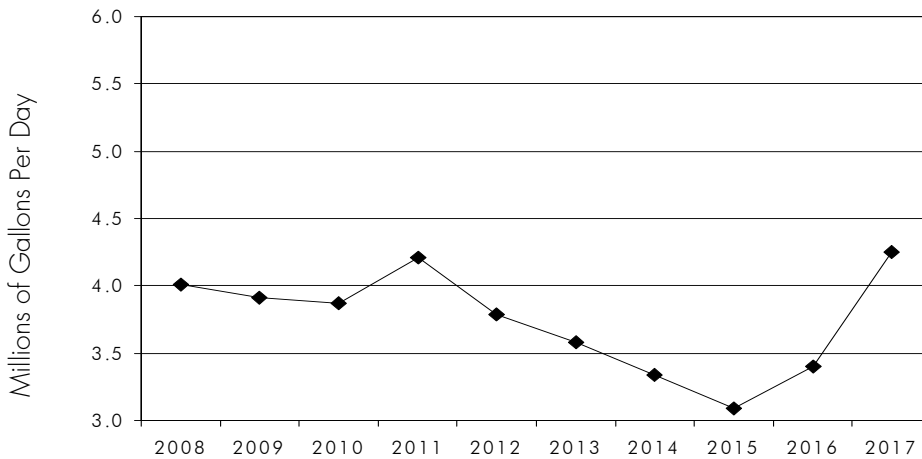
WASTEWATER FLOWS

Last Ten Fiscal Years
(In million gallons)

Monthly Flow	16-17	15-16	14-15	13-14	12-13	11-12	10-11	09-10	08-09	07-08
July	120	113	121	125	127	148	135	140	143	139
August	106	104	112	115	117	130	124	130	134	132
September	91	89	91	98	100	110	109	113	112	115
October	90	83	85	91	92	104	103	105	106	108
November	87	81	81	85	92	99	100	97	100	104
December	117	103	98	103	122	110	141	114	115	120
January	155	112	97	98	120	110	135	120	123	125
February	183	113	90	104	107	105	119	112	108	120
March	164	129	90	107	119	126	144	124	131	140
April	165	104	81	95	101	118	153	120	113	120
May	147	106	87	97	103	111	137	119	121	117
June	129	104	94	102	107	113	137	117	119	121
Total Annual Flow	1,555	1,241	1,127	1,220	1,307	1,384	1,537	1,411	1,425	1,461
Average Monthly Flow	130	103	94	102	109	115	128	118	119	122
Average Daily Flow	4.25	3.40	3.09	3.34	3.58	3.79	4.21	3.87	3.90	4.00

SOURCE: South Tahoe Public Utility District Laboratory Department

AVERAGE DAILY WASTEWATER FLOW TREND



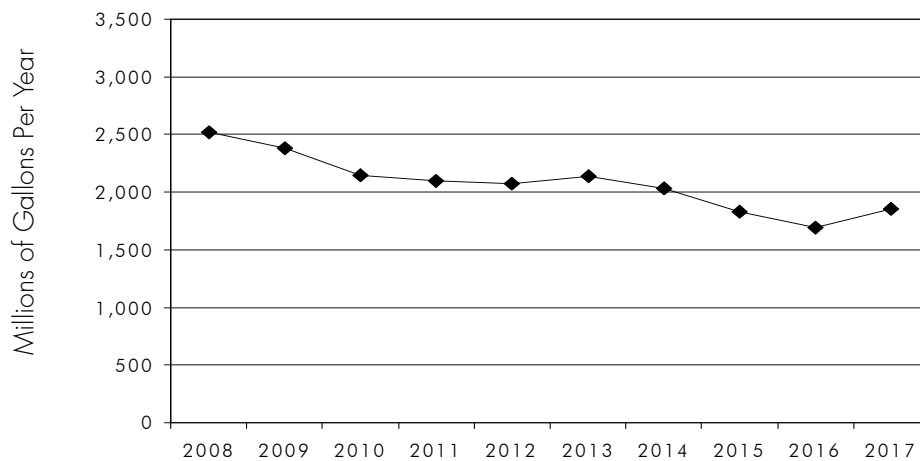
WATER PRODUCTION

Last Ten Fiscal Years
(In million gallons)

Monthly Production	16-17	15-16	14-15	13-14	12-13	11-12	10-11	09-10	08-09	07-08
July	264	207	279	285	306	285	329	329	361	381
August	257	218	241	273	296	289	320	307	355	381
September	206	189	212	224	240	232	267	268	294	280
October	121	130	142	140	160	139	147	147	178	164
November	96	102	97	99	104	107	120	122	116	118
December	130	124	117	144	128	132	138	157	152	162
January	113	104	129	129	138	122	127	136	141	149
February	95	93	99	99	107	101	105	99	111	118
March	104	98	99	98	104	99	113	106	110	123
April	94	91	102	111	114	107	99	100	111	118
May	146	126	129	185	198	210	133	128	209	219
June	230	209	181	249	240	251	203	244	243	304
Annual Totals	1,857	1,691	1,827	2,036	2,135	2,074	2,101	2,143	2,381	2,517
Average Monthly Water Production	155	141	152	170	178	173	175	179	198	210
Average Daily Water Production	5.07	4.63	5.01	5.58	5.85	5.68	5.76	5.87	6.52	6.90

SOURCE: South Tahoe Public Utility District Laboratory Department

ANNUAL WATER PRODUCTION TREND



DEMOGRAPHIC STATISTICS

Last Ten Years

Fiscal Year	District Workforce (5) (8)	Total Workforce So. Lake Tahoe (4)	Unemployment		School Enrollment (3)(9)	District Population (1) (2)	Per Capita Income (6) (10)	Personal Income (in thousands) (6) (10)
			Rate	So. Lake Tahoe (4) (7)				
2016-17	119	11,711	5.30%		3,951	36,132	\$30,566	\$1,104,411
2015-16	116	11,791	6.10%		3,996	36,119	\$28,565	\$1,023,998
2014-15	109	11,762	5.90%		3,881	35,768	\$27,555	\$1,010,690
2013-14	110	14,931	10.03%		3,855	36,358	\$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	-	-

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

ACKNOWLEDGMENTS

- Special thanks go to Tim Bledsoe, Trevor Coolidge, Debbie Henderson, Paul Hughes, Jeff Lee, Ryan Lee, Tony Prieto, Susan Rasmussen, Theresa Sherman, Doug Van Gorden, and the Laboratory Department.
- Design by Betty Barsamian.
- This Comprehensive Annual Financial Report has been prepared by the Finance Department.



The consistent theme throughout the significant events experienced last winter, was the dedication of District staff working together, interdepartmentally to achieve a common goal while working in very difficult conditions.

SOUTH TAHOE PUBLIC UTILITY DISTRICT

1275 Meadow Crest Drive, South Lake Tahoe, CA 96150

PH 530.544.6474 FX 530.541.0614

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