



**SOUTH TAHOE PUBLIC UTILITY DISTRICT**

# **Safe. Solid. Secure.**

COMPREHENSIVE **ANNUAL** FINANCIAL **REPORT**

Fiscal Year Ended June 30, 2016 South Lake Tahoe, California





**SOUTH TAHOE PUBLIC UTILITY DISTRICT**  
**Safe. Solid. Secure.**

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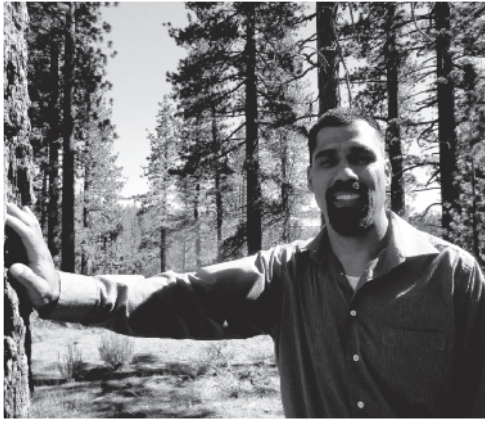
COMPREHENSIVE **ANNUAL FINANCIAL REPORT**

Fiscal Year Ended June 30, 2016 South Lake Tahoe, California

## District Awards

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

### Employee of the Year



Jose Ruiz, Plant Operator

### Crew of the Year



**Human Resources** The Human Resources department is responsible for all aspects of the District's Human Resources, Safety, and Risk Management programs.

## 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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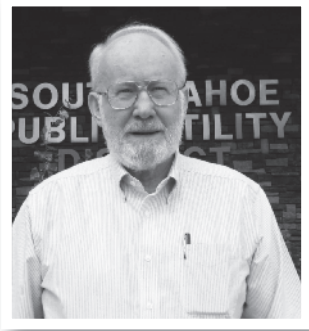
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**Board of Directors**



Chris Cefalu  
2009 - 2018



Jim Jones  
1977 - 1989, 1993 - 2018



Kelly Sheehan, Vice President  
2011 - 2016



Randy Vogelgesang, President  
2011 - 2016



Duanne Wallace  
1991 - 2007, 2014 - 2018

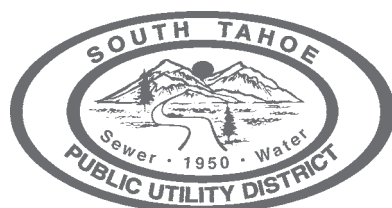


Richard H. Solbrig, General Manager and  
Paul Hughes, Chief Financial Officer



STPUD 2016  
Safe. Solid. Secure.

INTRODUCTION





Member of the Board of Directors  
South Tahoe Public Utility District

November 3, 2016

## Directors:

**T**he South Tahoe Public Utility District (the District) staff submits to you the Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2016. 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

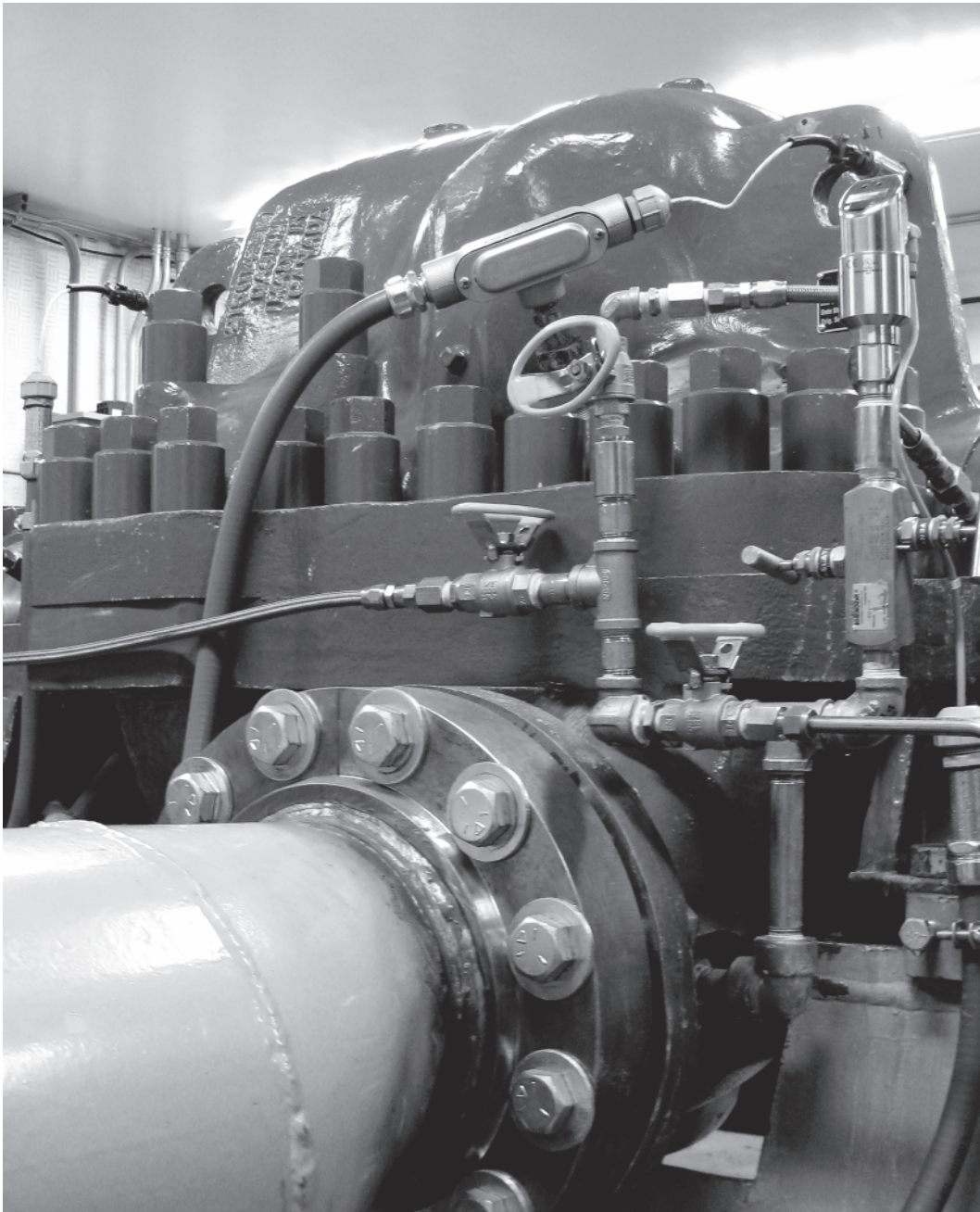
The South Tahoe Public Utility District, a public agency chartered in 1950, operates at the south shore of Lake Tahoe in El Dorado County. The District supplies drinking water and provides wastewater collection and treatment. The District recycles 100 percent of its wastewater to Alpine County where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

The District serves water to approximately 14,000 homes and businesses. Annual water production is nearly 2.5 billion gallons. Fifteen active wells, 20 water tanks, 16 booster stations, 25 pressure-reducing valves, and nearly 253 miles of water mainline make up the District's water system.

The sewage collection system consists of more than 353 miles of gravity collection lines, 22

miles of pressure force mains, and 42 lift stations, providing service to more than 18,100 homes and businesses. The wastewater treatment plant dry weather permitted capacity is 7.7 million gallons per day. The design and operation of the wastewater treatment plant makes it possible to achieve water quality that allows water and biosolids recycling. Each year the plant treats and exports more than 1.6 billion gallons of recycled water that meets high-reuse standards. Under provisions of the 1968 Porter-Cologne Water Quality Control Act, considered to be California's premier water quality legislation, the District transports the recycled water nearly 26 miles out of the Tahoe Basin to the District-owned and operated Harvey Place Dam and Reservoir. The recycled water facilities, known as the Diamond Valley Ranch (DVR), are near Woodford, 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



Despite their age, the pumps have been well maintained by District staff and the primary pumps are still pumping at their design capacity.



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](http://www.stpud.us).

### **Investing In Infrastructure To Maintain Reliability**

The customers of the District do not expect the District to fail. They expect clean, safe water from their tap, toilets to flush correctly, and water leaks and sewage spills to be non-existent. And, they expect the District to do its part to protect Lake Tahoe. As a matter of fact, one of the local news distributors suggested that these things are "doing the minimum." With aging infrastructure systems and undersized distribution lines "doing the minimum" can be a challenge. The District is aware of the community's expectations and is completing necessary infrastructure improvements to allow the District to continue meeting those expectations. The Board of Director's are committed to keeping the community, its residents, and the District's systems **safe, solid, and secure**.

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 (LPPS) is a critical element of the District's effluent disposal infrastructure. This pump station has been in continuous and unin-

terrupted operation since its construction and commissioning in 1968. In 2007, the District performed a condition assessment and complete evaluation of LPPS, which recommended improvements to the station's site, structure, pumps, motors, controls, power supply, and emergency generator. In the nine years since the evaluation, the District has completed many of the evaluation recommendations including a seismic retrofit of the pump station structure and a new emergency generator at a cost in excess of \$2.5 million. In 2013 focus shifted to evaluation of the pumps, motors, and power supply to LPPS. Despite their age, the pumps have been well maintained by District staff and the primary pumps are still pumping at their design capacity. As such, the District's immediate concern for the continued reliability of the effluent export system was the 46-year-old electrical and control systems at the station, including power supply, transformers, switchgear, wiring, motors controllers, and motors.

In 2015, the District embarked upon a \$4 million improvement to the electrical and control systems at the site, including a new Electrical Building, separate from the Pump Building, to house electrical switchgear and motor control centers. Electrical and mechanical upgrades to the station include new high efficiency motors for each of the four pumps, new reduced voltage soft starters, and new discharge control valves. To modernize and standardize the power system at the site, the utility power is being converted from 2300v to 4160v service. To improve security and reliability of the station, the instrumentation and control system is being modernized.

Before the improvements the pump station typically consumed between 7 million and 7.5 million kilowatts per year. With the new electrical and control systems, the District anticipates at least a 6% decrease in power consumption, for an annual reduction of 420,000 to 450,000 kilowatt hours.

The recycled wastewater that the District exports to its facilities in Alpine County is stored in the District owned Harvey Place Reservoir during the winter months and is then delivered to individual

ranches, who reuse 100% of the recycled water for beneficial agricultural uses, during their annual summer irrigation season.

In an effort to further establish a permanent use of the District's recycled water, the District is establishing a forage crop operation on its property in Alpine County in the spring of 2017. This project is the Diamond Valley Ranch Irrigation Improvements Project – Phase 1. This small alfalfa crop will be irrigated with the District's own recycled water using center-pivot irrigation infrastructure and will help create a permanent use of the recycled water for years to come.

Along with the planned irrigation improvements, a small hydroelectric generator will also be installed as part of the project to take advantage of the existing hydraulic energy within the export pipeline system. The District's hydroelectric power generation endeavor was taken on to help offset the District's overall energy costs.

### **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 an El Niño winter snowpack, the Tahoe Basin saw a spike in visitation as well as lift ticket sales in 2015/16. According to DestMetrics, the far west enjoyed early and strong bookings that are considerably above the last several years. The South Tahoe Tourism Improvement District reported lodging visit increases of fifteen to twenty percent between Christmas and New Year's Day. Also, the ski resorts are becoming more creative and offering summer activities such as mountain biking, hiking, music events, and rope courses. This is creating a destination product which is becoming increasingly competitive with the Rocky Mountains and Utah. Due to the positive statistics noted above, through September 30, 2015, the end of their fiscal year, the City of South Lake Tahoe reported an in-

crease of 14.1% in Transient Occupancy Tax and an increase of 3.7% in sales tax compared to September 30, 2014, collections.

Several years have passed since construction stopped on a project near Stateline which would have brought retail space, condominiums, and a convention center to South Tahoe. Until 2014, this large mixed-use project, The Chateau at Heavenly Village, remained stalled with the Lake Tahoe Development Company, multiple creditors, the City of South Lake Tahoe, El Dorado County, and the bankruptcy court doing what they could to move forward with resolution. The property was foreclosed and the largest creditor stepped in and provided funding to start and complete an initial phase of the project, including street level retail development, which has provided a much improved façade along Lake Tahoe Blvd. and a foundation for further development. A second phase of this project, including thirty-two condominiums and additional retail space began in 2015. It is still unknown if any of the originally planned development will move forward, but the permit for this project is still active and in effect. In 2016 a welcomed renovation of the factory stores at the "Y" began. Hopefully this renovation will attract retailers to occupy this mostly vacant retail space. Another exciting project scheduled to begin in the near future is the Tahoe Hockey Academy. The Academy will be for youths aged 13 to 20 seeking to play Division 1 and beyond. At build out, 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 2016 was \$384,000, up from \$369,000 in 2015 or 4.1%. This is good news for sellers, but Tahoe locals with a median household income of \$41,380 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.



Electrical and mechanical upgrades to the station include new high efficiency motors for each of the four pumps, new reduced voltage soft starters, and new discharge control valves.

Recycled wastewater that the District exports to its facilities in Alpine County is delivered to individual ranches, who reuse 100% of the recycled water for beneficial agricultural uses during their annual summer irrigation season.



At year end, the unemployment rate in South Lake Tahoe was 6.1%, up from 5.9% a year ago and 10.0% two years ago. The California and U.S. unemployment rates in June 2016 were 5.7% and 4.9% 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 40% 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 2015 service charge revenue and 4.0% of total revenues; therefore, fluctuations in actual usage do not materially impact operating income. Water consumption fees will become a larger portion of the District's revenues over the next five 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 and July 1, 2015, water rates were increased 6.5% while sewer rates were increased 6%. Fiscal year 2015/16 represented year two 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 three years must be confirmed by the Board. The Board did confirm the rates from year three of the schedule effective July 1, 2016. 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. Commercial development projects continue to be slow to respond to the economic recovery, although the stalled convention center project near Stateline completed an initial phase of several storefront properties last year and a residential condominium phase began this year. More commercial and residential development in this area is expected in the near future. Hopefully with a slowly improving economy this project will continue to progress and expand. Recently, the Board of Directors reduced the capacity charges for new or increased sewer service by 25% 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 2016, the District recognized more than \$.7 million

in grant funding following more than \$.6 million in 2015 and approximately \$.4 million in fiscal year 2014. During the year more than \$13 million was invested in water and sewer infrastructure replacement. To further enhance the infrastructure planning process, the District is using advanced asset management technology. This database allows the District to predict asset failure and establishes optimal replacement schedules to achieve service goals.

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

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

## **Public Outreach**

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

The District's website, which continues to be updated to be more informative, interactive, and easier to use, provides information about all of STPUD's activities. Archived documents are also available there. The website can be found at [www.stpud.us](http://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, 2015. The District has received this award for 21 consecutive years. Last 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 second time. The District has applied for, and expects to receive this award again for fiscal year 2015/16.

## **Budgetary Controls**

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

## **Looking Forward To The Future**

The 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 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 second 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 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, the Board adopted the rates in year two of the five-year schedule effective for fiscal year 2015/16, and in May of 2016 the Board adopted the rates in year three of the five-year schedule effective for fiscal year 2016/17. Annually, in years four and five, District staff will 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

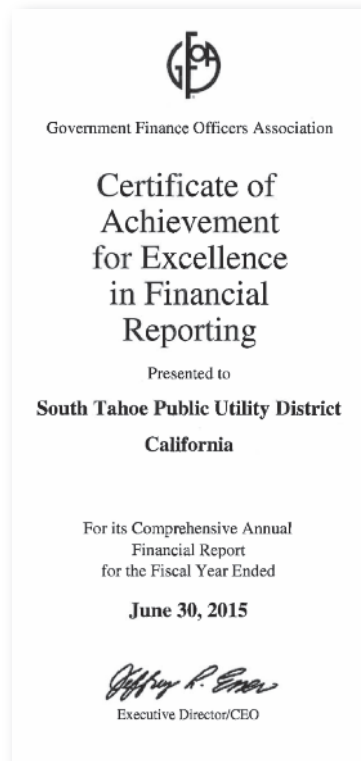
  
Paul Hughes,  
Chief Financial Officer

## District Honors

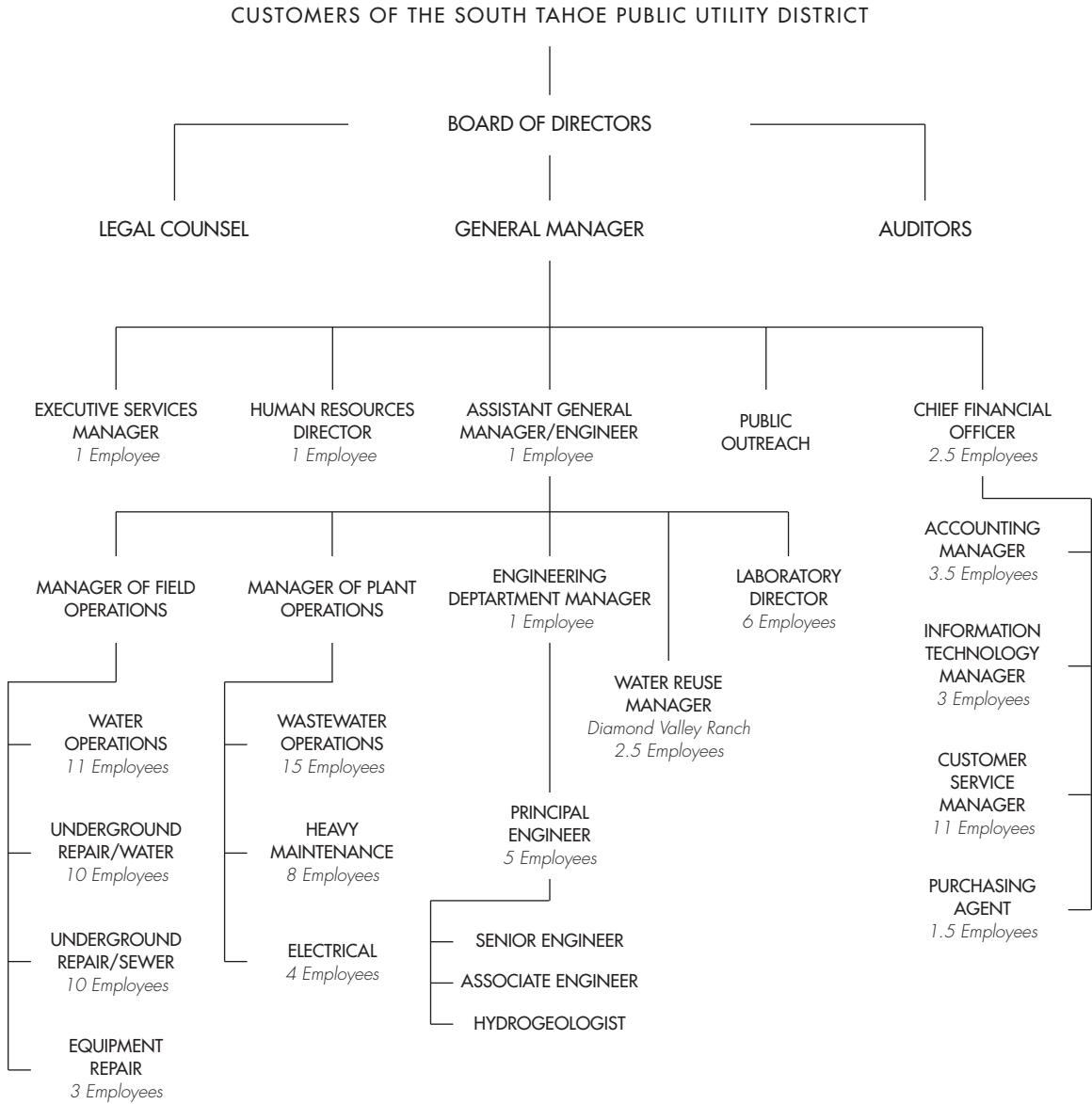
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to South Tahoe Public Utility District for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2015. The Certificate 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.



**Organization Chart**

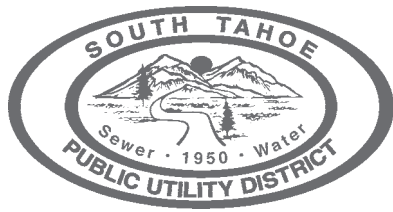


**District Officials**

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  
 Randy Curtis, 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  
 Ross Johnson, 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







## 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, 2016, 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, 2016, 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 2015 Summarized Comparative Information*

The District's 2015 basic financial statements (not presented herein), were audited by other auditors whose report dated November 24, 2015, expressed an unmodified audit opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, 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 November 3, 2016, 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  
November 3, 2016

## 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 2015-16, the District continued the replacement program, and a total of \$1.3 million was spent on waterline replacement and upsizing, booster station improvements, water storage facilities, and future planning.

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 2015-16, the District spent \$.8 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 2015-16, approximately 4,500 additional meters have been installed. These additional installations increased the portion of the water system metered to approximately 61%. The amount spent on meter installations in fiscal year 2015-16 was \$2.0 million. The remaining unmetered service connections will have meters installed within the next four years and will be funded with a low-cost loan through the California State Water Resources Control Board.

The Sewer Enterprise Fund also continues investing in its infrastructure. In fiscal year 2015-16 \$10.1 million was invested in sewer infrastructure improvements. Two 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 \$7.8 million was spent in fiscal year 2015-16. These projects are being funded with low cost loans through the California State Water Resources Control Board.

- During the year more than \$13 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 \$2,572,664 and (\$157,218), respectively.
- Operating revenue is up 1.0% due to an increase in service charge rates.
- Operating expenses are down .2% and came in 5.3% under budget.
- In fiscal year 2015-16, the District was awarded competitive grants totaling more than \$.7 million, following more than \$.9 million awarded in 2014-15 and \$.4 million awarded in 2013-14. These grants will fund, among other things, waterline replacements, water pumping facilities, and water conservation programs.

### Overview of the Basic Financial Statements

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

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

#### Net Position

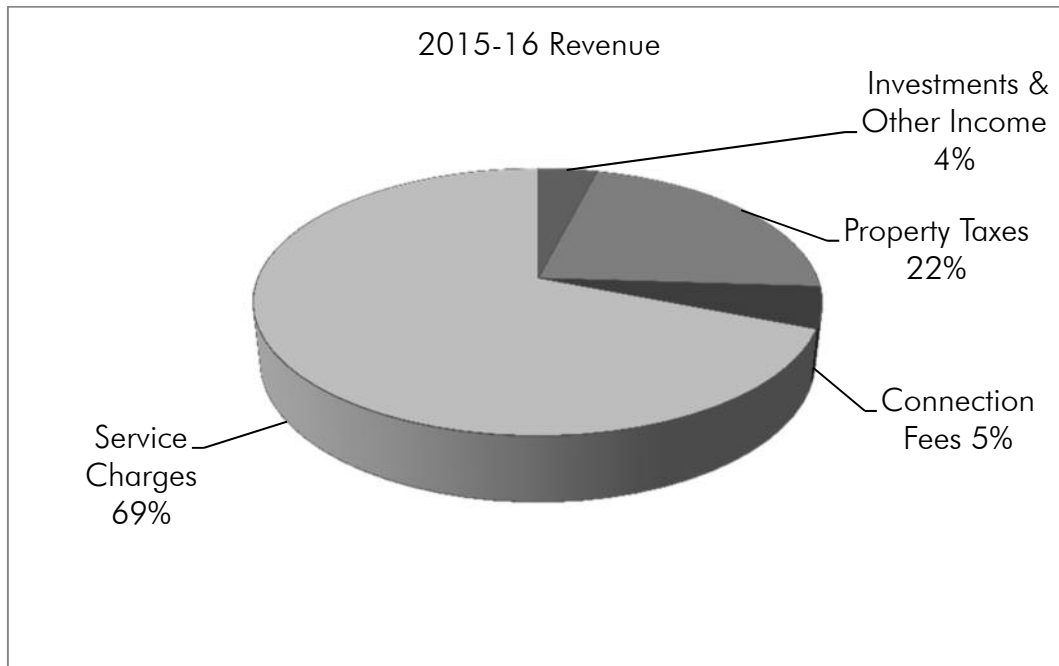
The condensed Statement of Net Position below shows the District is investing in capital assets while keeping its debt at manageable levels. For the year ended June 30, 2015, the District was required to implement GASB 68, Accounting and Financial Reporting for Pensions. Under the new GASB standards, 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, 2016 and 2015 was \$7.0 million and \$5.9 million respectively. For more information on the District's pension plan, see Note 8 of the Notes to the Financial Statements.

	<u>Net Position</u>			
	<i>(in thousands)</i>			
	June 30		Change	Change
2016	2015			
Current and other	\$ 44,979	\$ 45,740	(\$ 761)	(1.7%)
Capital assets	213,305	205,259	8,046	3.9%
Total assets	<u>\$258,284</u>	<u>\$250,999</u>	<u>\$7,285</u>	<u>2.9%</u>
Deferred outflows of resources	\$4,573	\$1,877	\$2,696	143.6%
Debt outstanding	\$ 39,339	\$ 35,444	(\$3,895)	(11.0%)
Net Pension Liability	7,012	5,945	1,067	17.9%
Other liabilities	9,035	7,531	1,504	20.0%
Total liabilities	<u>\$ 55,386</u>	<u>\$ 48,920</u>	<u>\$ 6,466</u>	<u>13.2%</u>
Deferred inflows of resources	\$8,747	\$8,034	\$713	8.9%
Net investment in capital assets	\$173,966	\$169,814	\$ 4,152	2.4%
Restricted for security deposits	165	165	0	0.0%
Restricted for capital asset purchases	464	463	1	0.2%
Restricted for debt service payment	877	0	877	0.0%
Unrestricted	23,252	25,480	(2,228)	(8.7%)
Total net position	<u>\$198,724</u>	<u>\$195,922</u>	<u>\$2,802</u>	<u>1.4%</u>



**Revenue and Expenses**

The District finances sewer and water operations through user charges, property tax receipts, and other income. Total revenue for fiscal year 2015-16 is \$32.6 million, a \$.8 million or 2.4% increase from the prior year. The 2016 service charge revenue is up from the prior year, reflecting a 6.0% increase in sewer rates and a 6.5% increase in water rates. Connection fees are down \$1.0 million or 38.6% due to a decrease of both commercial and residential development. Property tax revenue is up by \$344,000 or 5.1%, compared to the prior year reflecting an increase in property assessed values. El Dorado County estimates that property tax collections will be up approximately 4.9% for 2016-17. Investment income is up due to improved interest rates and maturities of low interest investments, while other income is slightly down compared to the prior year due to fluctuations in miscellaneous income categories and timing of grant receipts.

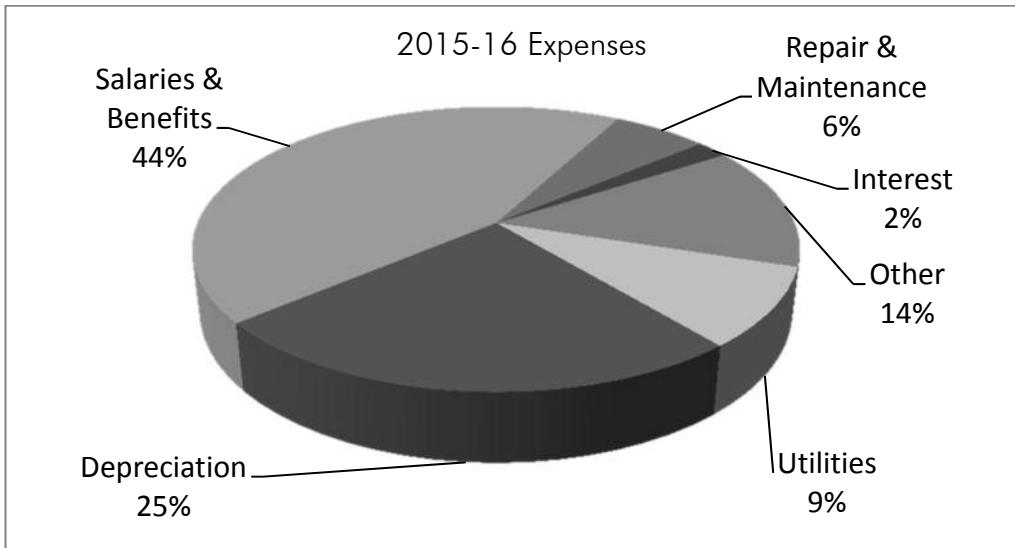


Revenues  
(in thousands)

	June 30		Change	Change
	2016	2015		
Service charges	\$22,357	\$21,048	\$ 1,309	6.2%
Connection fees	1,624	2,646	(1,022)	(38.6%)
Other	302	361	(59)	(16.3%)
Total operating revenue	<u>24,283</u>	<u>24,045</u>	<u>238</u>	<u>1.0%</u>
Property taxes	7,106	6,762	344	5.1%
Investments	405	206	199	96.6%
Other	784	791	(7)	(0.9%)
Total non-operating revenue	<u>8,295</u>	<u>7,759</u>	<u>536</u>	<u>6.9%</u>
Total revenue	<u><u>\$32,578</u></u>	<u><u>\$31,804</u></u>	<u><u>\$ 774</u></u>	<u><u>2.4%</u></u>

**Revenue and Expenses - Continued**

Total operating expenses for the current year are \$29.2 million, down \$68,000 from the prior year. The combined salaries and benefits are down \$.4 million or 3.2% due to capitalization of labor costs and required GASB 68 adjustments to pension expense. 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 2016 was \$1,006,564 compared to \$617,652 in the prior year. The GASB 68 pension expense adjustment reduced total benefit costs by \$1.3 million. 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 2016 increase over the prior year was \$748,246 or 5.0%. The increase is due to a 2.0% COLA implemented July 1, 2015, 5% step increases for employees below the top step of their salary range, a 7% increase to health insurance premiums, and an approximate 200% increase to workers compensation insurance due to an increase in the District's experience rating. Depreciation is up reflecting a continued investment in infrastructure projects. Repair and maintenance expenditures fluctuate year to year based on unexpected or planned projects. Combined operating and non-operating other expenses is fairly flat compared to the prior year with an increase of 1.5%. Interest expense is down due to a large one-time payment in the prior year related to a debt refinancing.



Expenses  
(in thousands)

	June 30			
	2016	2015	Change	Change
<u>Operating expenses:</u>				
Salaries and benefits	\$13,257	\$13,690	(\$ 433)	(3.2%)
Depreciation	7,521	7,405	116	1.6%
Utilities	2,739	2,636	103	3.9%
Repair and maintenance	1,744	1,612	132	8.2%
Other	3,938	3,924	14	0.4%
Total operating expenses	29,199	29,267	(68)	(0.2%)
<u>Non-operating expenses:</u>				
Interest expense	739	813	(74)	(9.1%)
Other	224	173	51	29.5%
Total non-operating expenses	963	986	(23)	(2.3%)
Total expenses	\$30,162	\$30,253	(\$91)	(0.3%)

**Revenue and Expenses - Continued**

The fiscal year 2015-16 income (loss) before capital contributions is \$2.4 million as compared to the budgeted income of (\$1.5) million and the actual prior year income of \$1.6 million. For the year, capital contributions increased net position an additional \$.4 million. The addition of GASB 68 resulted in a prior period adjustment in an amount of \$6.2 million to beginning net position for the year ended June 30, 2015.

Changes in Net Position

*(in thousands)*

	June 30		Change	Change
	2016	2015		
Beginning net position	\$195,922	\$200,244	(\$4,322)	(2.2%)
GASB 68 Adjustment	0	(6,172)	6,172	(100%)
Beginning net position restated	195,922	194,072	1,850	0.9%
Income before contributions	2,416	1,560	856	54.9%
Capital contributions	386	290	96	33.1%
Changes in net position	2,802	1,850	952	51.5%
Ending net position	<u>\$198,724</u>	<u>\$195,922</u>	<u>\$2,802</u>	<u>1.4%</u>

**Capital Assets**

The District's investment in its sewer and water systems is \$213 million at the end of the fiscal year net of depreciation. During the year, more than \$13 million was spent on new infrastructure and equipment. \$3.1 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 \$10.1 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	
	2016	2015	2016	2015	2016	2015
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	82,731	84,442	84,025	82,486	166,756	166,928
Construction in Progress	16,584	7,895	3,551	4,022	20,135	11,917
Total	<u>\$122,158</u>	<u>\$115,180</u>	<u>\$91,147</u>	<u>\$90,079</u>	<u>\$213,305</u>	<u>\$205,259</u>

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, 2016

**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 \$39.3 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,	
	2016	2015
<u>Sewer Enterprise Fund:</u>		
California State Revolving Loan Fund (secured by sewer revenue)	2,062	2,172
California State Revolving Loan Fund (secured by sewer revenue)	802	839
California State Revolving Loan Fund (secured by sewer revenue)	1,106	1,160
California State Revolving Loan Fund (secured by sewer revenue)	2,647	0
California State Revolving Loan Fund (secured by sewer revenue)	2,468	0
Installment Sale Agreement (secured by sewer revenue)	5,438	5,695
Installment Sale Agreement (secured by sewer revenue)	7,798	8,620
Loan Agreement (secured by sewer revenue)	6,853	7,363
Total sewer enterprise fund	29,174	25,849
 <u>Water Enterprise Fund:</u>		
Installment Sale Agreement (secured by water revenue)	6,662	7,270
California State Revolving Loan Fund (secured by water revenue)	3,503	2,325
Total water enterprise fund	10,165	9,595
Total debt	\$ 39,339	\$ 35,444

For additional information on Outstanding Debt, see Note 6 in the Notes to the Combined Financial Statements.

**Contacting the District's Financial Management**

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

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**STATEMENT OF NET POSITION**

June 30, 2016

(With comparative totals for June 30, 2015)

	<b>Business-type Activities Enterprise Funds</b>		<b>Total</b>	
	<b>Sewer</b>	<b>Water</b>	<b>2016</b>	<b>2015</b>
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents (Note 2)	\$ 12,446,270	\$ 465,058	\$ 12,911,328	\$ 13,417,624
Investments (Note 2)	2,464,151	1,642,768	4,106,919	3,041,273
Accounts receivable, net of allowance (Note 3)	231,739	1,149,852	1,381,591	2,073,529
Due from governmental agencies (Note 3)	-	281,048	281,048	1,291,281
Property tax receivable	7,078,816	-	7,078,816	6,750,185
Other current assets	340,938	706,237	1,047,175	1,262,426
	<u>22,561,914</u>	<u>4,244,963</u>	<u>26,806,877</u>	<u>27,836,318</u>
<b>Noncurrent assets</b>				
<b>Restricted assets:</b>				
Cash and cash equivalents (Note 2)	1,341,302	-	1,341,302	463,113
Certificate of deposit (Note 2)	50,000	115,000	165,000	165,000
	<u>1,391,302</u>	<u>115,000</u>	<u>1,506,302</u>	<u>628,113</u>
Long-term accounts receivable (Note 3)	471,302	-	471,302	471,426
Due from governmental agencies, net of allowance (Note 3)	53,020	53,020	106,040	106,040
Investments (Note 2)	9,652,903	6,435,269	16,088,172	16,698,582
Capital assets, net of accumulated depreciation (Note 4)	122,157,618	91,147,318	213,304,936	205,258,914
	<u>133,726,145</u>	<u>97,750,607</u>	<u>231,476,752</u>	<u>223,163,075</u>
<b>Total Assets</b>	<u>156,288,059</u>	<u>101,995,570</u>	<u>258,283,629</u>	<u>250,999,393</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>				
Refunding loan costs	258,462	33,549	292,011	329,701
Changes in the net pension liability (Note 8)	2,642,257	1,639,017	4,281,274	1,547,809
<b>Total Deferred Outflows of Resources</b>	<u>\$ 2,900,719</u>	<u>\$ 1,672,566</u>	<u>\$ 4,573,285</u>	<u>\$ 1,877,510</u>

See accompanying notes to the basic financial statements.

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STATEMENT OF NET POSITION - continued

June 30, 2016

(With comparative totals for June 30, 2015)

	Business-type Activities Enterprise Funds		Total	
	Sewer	Water	2016	2015
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable and other liabilities	\$ 785,432	\$ 1,488,884	\$ 2,274,316	\$ 1,405,311
Unearned revenue (Note 5)	751,822	666,943	1,418,765	1,191,485
Accrued expenses	905,191	741,013	1,646,204	1,443,443
Accrued interest payable	305,601	75,609	381,210	390,462
Compensated absences - current portion (Note 7)	584,732	402,702	987,434	1,161,600
Long term liabilities - current portion (Note 6)	<u>1,836,863</u>	<u>680,646</u>	<u>2,517,509</u>	<u>2,437,446</u>
Total current liabilities	<u>5,169,641</u>	<u>4,055,797</u>	<u>9,225,438</u>	<u>8,029,747</u>
Noncurrent liabilities				
Compensated absences - long term portion (Note 7)	1,376,959	950,158	2,327,117	1,938,239
Long term liabilities - long term portion (Note 6)	27,337,333	9,484,059	36,821,392	33,006,958
Net pension liability (Note 8)	<u>4,290,922</u>	<u>2,721,450</u>	<u>7,012,372</u>	<u>5,945,128</u>
Total long-term liabilities	<u>33,005,214</u>	<u>13,155,667</u>	<u>46,160,881</u>	<u>40,890,325</u>
<b>Total Liabilities</b>	<u>38,174,855</u>	<u>17,211,464</u>	<u>55,386,319</u>	<u>48,920,072</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Property tax receivable	7,078,816	-	7,078,816	6,750,185
Changes in the net pension liability (Note 8)	<u>998,305</u>	<u>669,479</u>	<u>1,667,784</u>	<u>1,284,068</u>
<b>Total Deferred Inflows of Resources</b>	<u>8,077,121</u>	<u>669,479</u>	<u>8,746,600</u>	<u>8,034,253</u>
<b>NET POSITION</b>				
Net Investment in capital assets	92,983,422	80,982,613	173,966,035	169,814,512
Restricted for security deposits	50,000	115,000	165,000	165,000
Restricted for debt service payment	876,779	-	876,779	-
Restricted for capital asset purchases	464,523	-	464,523	463,113
Unrestricted	<u>18,562,078</u>	<u>4,689,580</u>	<u>23,251,658</u>	<u>25,479,953</u>
<b>Total Net Position</b>	<u>\$ 112,936,802</u>	<u>\$ 85,787,193</u>	<u>\$ 198,723,995</u>	<u>\$ 195,922,578</u>

See accompanying notes to the basic financial statements.

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**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

For the year ended June 30, 2016

(With comparative totals for the year ended June 30, 2015)

	Business-type Activities Enterprise Funds		Total	
	Sewer	Water	2016	2015
<b><u>OPERATING REVENUE</u></b>				
Charges for sales and services:				
Service charges	\$ 11,981,860	\$ 10,375,104	\$ 22,356,964	\$ 21,048,326
Connection and service fees	1,077,410	546,332	1,623,742	2,646,447
Other operating income	<u>119,171</u>	<u>182,781</u>	<u>301,952</u>	<u>360,636</u>
Total operating revenues	<u>13,178,441</u>	<u>11,104,217</u>	<u>24,282,658</u>	<u>24,055,409</u>
<b><u>OPERATING EXPENSES</u></b>				
Salaries, wage and employee benefits	8,094,586	5,162,300	13,256,886	13,689,664
Depreciation and amortization	4,545,185	2,975,732	7,520,917	7,405,554
Utilities	1,981,916	757,429	2,739,345	2,636,321
Repairs and maintenance	585,242	1,159,021	1,744,263	1,611,897
Other operating expenses	<u>2,053,970</u>	<u>1,884,210</u>	<u>3,938,180</u>	<u>3,923,978</u>
Total operating expenses	<u>17,260,899</u>	<u>11,938,692</u>	<u>29,199,591</u>	<u>29,267,414</u>
<b>OPERATING LOSS</b>	<u>(4,082,458)</u>	<u>(834,475)</u>	<u>(4,916,933)</u>	<u>(5,212,005)</u>
<b><u>NONOPERATING REVENUE (EXPENSE)</u></b>				
Tax revenue	7,076,233	30,076	7,106,309	6,761,836
Investment earnings	290,148	115,145	405,293	205,884
Aid from governmental agencies	-	357,044	357,044	503,417
Other nonoperating income	82,785	343,797	426,582	287,410
Interest expense	(606,829)	(131,675)	(738,504)	(813,055)
Other expense	<u>(187,215)</u>	<u>(37,130)</u>	<u>(224,345)</u>	<u>(173,181)</u>
Total nonoperating revenue	<u>6,655,122</u>	<u>677,257</u>	<u>7,332,379</u>	<u>6,772,311</u>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS</b>	<u>2,572,664</u>	<u>(157,218)</u>	<u>2,415,446</u>	<u>1,560,306</u>
<b><u>CAPITAL CONTRIBUTIONS</u></b>				
Capital contributions	<u>29</u>	<u>385,942</u>	<u>385,971</u>	<u>290,077</u>
<b>CHANGE IN NET POSITION</b>	<u>2,572,693</u>	<u>228,724</u>	<u>2,801,417</u>	<u>1,850,383</u>
<b>TOTAL NET POSITION, BEGINNING OF YEAR</b>	<u>110,364,109</u>	<u>85,558,469</u>	<u>195,922,578</u>	<u>194,072,195</u>
<b>TOTAL NET POSITION, END OF YEAR</b>	<u>\$ 112,936,802</u>	<u>\$ 85,787,193</u>	<u>\$ 198,723,995</u>	<u>\$ 195,922,578</u>

See accompanying notes to the basic financial statements.

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**STATEMENT OF CASH FLOWS**

For the year ended June 30, 2016

(With comparative totals for the year ended June 30, 2015)

	<b>Business-type Activities Enterprise Funds</b>		<b>Total</b>	
	<b>Sewer</b>	<b>Water</b>	<b>2016</b>	<b>2015</b>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>				
Receipts from customers	\$ 13,259,128	\$ 11,640,920	\$ 24,900,048	\$ 24,245,735
Other income	119,171	182,781	301,952	360,636
Payments to suppliers	(3,674,470)	(3,588,605)	(7,263,075)	(14,204,832)
Payments to employees	(8,666,148)	(5,501,789)	(14,167,937)	(8,265,741)
<b>NET CASH USED FOR OPERATING ACTIVITIES</b>	<b>1,037,681</b>	<b>2,733,307</b>	<b>3,770,988</b>	<b>2,135,798</b>
<b><u>CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES</u></b>				
Tax revenue	7,413,272	30,076	7,443,348	6,419,256
Payments from/(to) governmental agencies	(362,043)	1,659,016	1,296,973	65,259
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>7,051,229</b>	<b>1,689,092</b>	<b>8,740,321</b>	<b>6,484,515</b>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>				
Acquisition of capital assets	(11,530,057)	(4,057,229)	(15,587,286)	(9,865,710)
Repayment of debt	(1,790,324)	(608,372)	(2,398,696)	(2,844,220)
Proceeds from issuance of debt	5,115,112	1,178,080	6,293,192	2,325,036
Interest paid on notes payable	(687,405)	(154,690)	(842,095)	(916,207)
Contributed capital	29	385,942	385,971	290,077
<b>NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(8,892,645)</b>	<b>(3,256,269)</b>	<b>(12,148,914)</b>	<b>(11,011,024)</b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>				
Investment earnings	252,812	85,656	338,468	180,152
Purchase of investments	(8,949,000)	(5,966,000)	(14,915,000)	(7,500,000)
Proceeds from sale of investments	9,926,865	4,638,817	14,565,682	7,413,535
Proceeds from sale of assets	7,837	12,511	20,348	-
<b>NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES</b>	<b>1,238,514</b>	<b>(1,229,016)</b>	<b>9,498</b>	<b>93,687</b>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>434,779</b>	<b>(62,886)</b>	<b>371,893</b>	<b>(2,297,024)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>13,352,793</b>	<b>527,944</b>	<b>13,880,737</b>	<b>16,177,761</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 13,787,572</b>	<b>\$ 465,058</b>	<b>\$ 14,252,630</b>	<b>\$ 13,880,737</b>

See accompanying notes to the basic financial statements.



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STATEMENT OF CASH FLOWS - continued  
For the year ended June 30, 2016  
(With comparative totals for the year ended June 30, 2015)

	Business-type Activities Enterprise Funds		Total	
	Sewer	Water	2016	2015
<b><u>RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES</u></b>				
Operating loss	\$ (4,082,458)	\$ (834,475)	\$ (4,916,933)	\$ (5,212,005)
Adjustments to reconcile operating loss to net cash used for operating activities				
Depreciation and amortization	4,545,185	2,975,732	7,520,917	7,405,554
Net change in deferred outflows and inflows	(1,461,781)	(850,278)	(2,312,059)	225,347
Decrease in receivables	43,564	648,498	692,062	367,206
(Increase) Decrease in other assets	38	215,213	215,251	(215,289)
(Decrease) Increase in accounts payable	231,247	637,758	869,005	(203,629)
(Decrease) Increase in pension liability	692,118	375,126	1,067,244	(490,384)
Increase in unearned revenue	156,294	70,986	227,280	183,756
(Decrease) Increase in other payables	913,474	(505,253)	408,221	75,242
<b>NET CASH USED FOR OPERATING ACTIVITIES</b>	<b><u>\$ 1,037,681</u></b>	<b><u>\$ 2,733,307</u></b>	<b><u>\$ 3,770,988</u></b>	<b><u>\$ 2,135,798</u></b>
<b><u>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</u></b>				
Increase in fair value of investments	<u>\$ 37,336</u>	<u>\$ 29,489</u>	<u>\$ 66,825</u>	<u>\$ 25,732</u>

See accompanying notes to the basic financial statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the year ended June 30, 2016

**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 all liabilities (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.

NOTES TO THE BASIC FINANCIAL STATEMENTS - continued  
For the year ended June 30, 2016

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.

**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

NOTES TO THE BASIC FINANCIAL STATEMENTS - continued  
For the year ended June 30, 2016

<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.

### **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 plans (Plans), 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.

NOTES TO THE BASIC FINANCIAL STATEMENTS - continued  
For the year ended June 30, 2016

**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 or fund balance 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 or fund balance 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 attributable to the acquisition, construction or improvement of those assets. Net position is restricted when constraints are imposed by the 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.

**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 data have been reclassified in order to be consistent with current year's presentation.

**R. Implementation of Government Accounting Standards Board Statements**

Effective July 1, 2015, the District implemented the following accounting and financial reporting standards:

Government Accounting Standards Board Statement No. 72

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. This statement provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

NOTES TO THE BASIC FINANCIAL STATEMENTS - continued  
For the year ended June 30, 2016

Government Accounting Standards Board Statement No. 76

In June 2015, GASB issued Statement No. 76, *the Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

Government Accounting Standards Board Statement No. 82

In March 2016, GASB issued Statement No. 82, *Pension Issues - an Amendment of GASB Statements No. 67, No. 68, and No. 73*. The primary objective of this statement is to address issues regarding the (1) presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this statement are effective for reporting periods beginning after June 15, 2016; however the District has elected to implement the statement in the current year. See Note 8.

NOTES TO THE BASIC FINANCIAL STATEMENTS - continued  
 For the year ended June 30, 2016

**NOTE 2: CASH AND INVESTMENTS**

Cash and investments as of June 30, 2016 consisted of the following:

Cash and cash equivalents:

Unrestricted:

Cash on hand	\$ 2,450
Unrestricted deposits in financial institutions	953,519
Deposits in Local Agency Investment Fund (LAIF)	11,779,581
Deposits in El Dorado County Treasury	162,660
Deposits in California Asset Management Program (CAMP)	<u>13,118</u>

Total unrestricted cash and cash equivalents	<u>12,911,328</u>
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Restricted:

Deposits in CAMP	464,523
Restricted for debt service payment	<u>876,779</u>

Total restricted cash and cash equivalents	<u>1,341,302</u>
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Total cash and cash equivalents	<u>14,252,630</u>
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Investments:

Unrestricted:

Federal agency and instrumentalities	1,810,611
U.S corporate debt	5,909,969
Commercial paper	398,132
U.S. Treasury obligations	7,766,910
Negotiable certificates of deposit	<u>4,309,469</u>

Total unrestricted investments	<u>20,195,091</u>
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Restricted:

Certificates of deposit	<u>165,000</u>
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Total investments	<u>20,360,091</u>
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Total cash and investments	<u>\$ 34,612,721</u>
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NOTES TO THE BASIC FINANCIAL STATEMENTS - continued  
For the year ended June 30, 2016

**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.



NOTES TO THE BASIC FINANCIAL STATEMENTS - continued  
For the year ended June 30, 2016

**NOTE 2: CASH AND INVESTMENTS (continued)**

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, 2016:

Investment Type	Investment Maturities (in years)			
	Fair Value	Less than 1	1-2	3-5
Federal agency and instrumentalities	\$ 1,810,611	\$ 115,000	\$ 141,135	\$ 1,554,476
U.S. corporate debt	5,909,969	1,491,840	2,446,732	1,971,396
Commercial paper	398,132	398,132	-	-
U.S. Treasury obligations	7,766,910	-	245,670	7,521,241
Negotiable certificates of deposit	<u>4,474,469</u>	<u>2,206,947</u>	<u>2,267,522</u>	<u>-</u>
	<u>\$ 20,360,091</u>	<u>\$ 4,211,919</u>	<u>\$ 5,101,059</u>	<u>\$ 11,047,113</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 - continued  
For the year ended June 30, 2016

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, 2016 for each investment type.

Investment Type	Total	Rating as of Fiscal Year End	
		S&P	N/A
Federal agency and instrumentalities	\$ 857,885	AA+	
Federal agency and instrumentalities	952,725		Not rated
U.S. corporate debt	402,509	AAA	
U.S. corporate debt	893,413	AA+	
U.S. corporate debts	466,932	AA	
U.S. corporate debt	1,191,644	AA-	
U.S. corporate debt	227,766	A+	
U.S. corporate debt	1,690,687	A	
U.S. corporate debt	552,826	A-	
U.S. corporate debt	484,192	BBB+	
Commercial paper	398,132		Not rated
U.S. Treasury obligations	7,766,911	AAA	
Negotiable certificates of deposit	1,204,402	AA-	
Negotiable certificates of deposit	<u>3,270,067</u>		Not rated
	<u>\$ 20,360,091</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, 2016 were U.S. Treasury obligations which totaled 38% of the total investments.

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 \$1,337,605 as of June 30, 2016, 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

NOTES TO THE BASIC FINANCIAL STATEMENTS - continued  
For the year ended June 30, 2016

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.

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 Fund 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 2016. 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.

NOTES TO THE BASIC FINANCIAL STATEMENTS - continued  
 For the year ended June 30, 2016

The following tables set forth by level, within the fair value hierarchy, the District's assets at fair value as of June 30, 2016.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Federal agency and instrumentalities	\$ -	\$ 1,810,611	\$ -	\$ 1,810,611
U.S corporate debt	-	5,909,969	-	5,909,969
Commercial paper	-	398,132	-	398,132
U.S. Treasury obligations	-	7,766,910	-	7,766,910
Negotiable certificates of deposit	-	4,474,469	-	4,474,469
Total assets at fair value	<u>\$ -</u>	<u>\$ 20,360,091</u>	<u>\$ -</u>	<u>\$ 20,360,091</u>

**NOTE 3: ACCOUNTS RECEIVABLE AND AMOUNTS DUE FROM GOVERNMENTAL AGENCIES**

Short-term receivables at June 30, 2016 consisted of the following:

	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
Customer receivables	\$ 231,754	\$ 504,593	\$ 736,347
Due from Federal Government	-	261,461	261,461
Due from State Government	-	19,587	19,587
Due from El Dorado County	-	264,294	264,294
Other receivables	<u>50,993</u>	<u>420,559</u>	<u>471,552</u>
	282,747	1,470,494	1,753,241
Allowance for doubtful accounts	<u>(51,008)</u>	<u>(39,594)</u>	<u>(90,602)</u>
Accounts receivable, net of allowance	<u>\$ 231,739</u>	<u>\$ 1,430,900</u>	<u>\$ 1,662,639</u>

Long-term receivables at June 30, 2016 consisted of the following:

	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
Other receivables	\$ 471,302	\$ -	\$ 471,302
Due from State Government	<u>73,020</u>	<u>73,020</u>	<u>146,040</u>
	544,322	73,020	617,342
Allowance for doubtful accounts	<u>(20,000)</u>	<u>(20,000)</u>	<u>(40,000)</u>
Accounts receivable, net of allowance	<u>\$ 524,322</u>	<u>\$ 53,020</u>	<u>\$ 577,342</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS - continued  
For the year ended June 30, 2016

**NOTE 4: CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2016 was as follows:

	July 1, 2015	Additions	Retirements	Transfers	June 30, 2016
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>11,917,232</u>	<u>11,584,021</u>	<u>(12,511)</u>	<u>(3,353,005)</u>	<u>20,135,737</u>
Total capital assets not being depreciated	<u>38,331,167</u>	<u>11,584,021</u>	<u>(12,511)</u>	<u>(3,353,005)</u>	<u>46,549,672</u>
Capital assets being depreciated					
Plant and equipment	<u>296,343,837</u>	<u>4,003,265</u>	<u>(674,805)</u>	<u>3,353,005</u>	<u>303,025,302</u>
Less accumulated depreciation					
Plant and equipment	<u>(129,416,090)</u>	<u>(7,520,917)</u>	<u>666,969</u>	<u>-</u>	<u>(136,270,038)</u>
Total capital assets being depreciated, net	<u>166,927,747</u>	<u>(3,517,652)</u>	<u>(7,836)</u>	<u>3,353,005</u>	<u>166,755,264</u>
Capital assets, net	<u>\$ 205,258,914</u>	<u>\$ 8,066,369</u>	<u>\$ (20,347)</u>	<u>\$ -</u>	<u>\$ 213,304,936</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS - continued  
 For the year ended June 30, 2016

Construction in progress as of June 30, 2016 consisted of the following:

Aeration basin	\$ 68,824
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	5,946,945
DVR nutrient management	84,867
Erosion control	107,973
Fallen Leaf Lake upgrades	205,510
Fire hydrants project	933,310
Luther Pass Pump Station power controls	4,467,215
Meters project	1,287,411
Primary clarifiers rehab	165,748
Large water meter replacement project	167,455
Tallac Creek sewer crossing	51,161
Treatment plant generator	183,273
Trout Creek restoration	1,312,291
Water system optimization plan	484,518
Waterline evaluations	86,448
Waterline replacements	145,623
Wildwood interceptor	294,168
Other projects	<u>210,269</u>
	<u>\$ 20,135,737</u>

Depreciation expense for the year ended June 30, 2016 was charged to the different activities as follows:

Sewer	\$ 4,545,185
Water	<u>2,975,732</u>
	<u>\$ 7,520,917</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS - continued  
 For the year ended June 30, 2016

**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, 2016:

	Sewer	Water	Total
Connection fee deposits	\$ 740,276	\$ 650,369	\$ 1,390,645
Other unearned revenue	11,546	16,574	28,120
	\$ 751,822	\$ 666,943	\$ 1,418,765

**NOTE 6: LONG TERM LIABILITIES**

During the year ended June 30, 2016, the following changes occurred in long-term liabilities:

	July 1, 2015	Additions	Reductions	June 30, 2016	Current Portion
SRF Luther Pass Pump Station	\$ 2,172,000	\$ -	\$ (110,329)	\$ 2,061,671	\$ 113,308
SRF Headworks	838,666	-	(36,797)	801,869	37,792
SRF Emergency Retention Basin	1,160,515	-	(54,695)	1,105,820	56,171
2011 Sewer Installment Agreement	5,695,375	-	(256,976)	5,438,399	266,441
2012 Sewer Refunding	8,619,718	-	(821,703)	7,798,015	840,711
2013 Sewer Refunding	7,363,134	-	(509,823)	6,853,311	522,440
2013 Water Refunding	7,269,960	-	(608,372)	6,661,588	622,261
SRF Meters Phase 1	2,325,036	1,178,080	-	3,503,116	58,385
SRF Luther Pass Power	-	2,647,245	-	2,647,245	-
SRF Diamond Valley Irrigation Improvement	-	2,467,867	-	2,467,867	-
Total	\$ 35,444,404	\$ 6,293,192	\$ (2,398,695)	\$ 39,338,901	\$ 2,517,509

A description of the long-term liabilities at June 30, 2016 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, 2016, principal and interest payments accounted for 0.8% 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, 2016, principal and interest payments accounted for 0.3% of total sewer revenues.

NOTES TO THE BASIC FINANCIAL STATEMENTS - continued  
For the year ended June 30, 2016

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, 2016, 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, 2016, principal and interest payments accounted for 2.2% of total sewer revenues.

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, 2016, principal and interest payments accounted for 4.9% 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, 2016, principal and interest payments accounted for 3.3% 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, 2016, principal and interest payments accounted for 6.4% 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, 2016, principal and interest payments accounted for 0% of total water revenues.



NOTES TO THE BASIC FINANCIAL STATEMENTS - continued  
For the year ended June 30, 2016

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, 2016, principal and interest payments accounted for 0% 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, 2016, principal and interest payments accounted for 0% of total sewer revenues.

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

	Principal	Interest	Total
Years ending June 30,			
2017	\$ 2,517,509	\$ 790,918	\$ 3,308,427
2018	2,739,541	769,086	3,508,627
2019	3,057,394	871,754	3,929,148
2020	2,976,320	805,630	3,781,950
2021	2,896,745	738,007	3,634,752
2022 - 2026	13,993,161	2,657,709	16,650,870
2027 - 2031	8,082,432	965,193	9,047,625
2032 - 2036	1,762,475	198,328	1,960,803
2037 - 2041	671,085	16,641	687,726
2042 - 2046	583,853	-	583,853
2047	58,386	-	58,386
	\$ 39,338,901	\$ 7,813,266	\$ 47,152,167

Interest charges on debt, including amounts capitalized totaling \$141,281 for the year ended June 30, 2016 was \$738,504.

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, 2016.

NOTES TO THE BASIC FINANCIAL STATEMENTS - continued  
For the year ended June 30, 2016

**NOTE 7: COMPENSATED ABSENCES**

Compensated absences balance and activity for the year ended June 30, 2016 were as follows:

	July 1, 2015	Additions	Reductions	June 30, 2016	Current Portion
Compensated absences	\$ 3,099,839	\$ 1,656,417	\$ (1,441,705)	\$ 3,314,551	\$ 987,434

**NOTE 8: PENSION PLAN**

**A. General Information about the Pension Plans**

Plan Description

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

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 paid by the employer. 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.

NOTES TO THE BASIC FINANCIAL STATEMENTS - continued  
For the year ended June 30, 2016

The rate plan's provisions and benefits in effect at June 30, 2016, 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	14.253%	6.237%

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, 2016 were \$1,278,986.

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

As of June 30, 2016, the District reported a net pension liability of \$7,012,372 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, 2015, 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, 2014 rolled forward to June 30, 2015 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, 2014 and 2015 was follows:

Proportion - June 30, 2014	0.24100%
Proportion - June 30, 2015	0.25560%
Change - increase	0.01460%

For the year ended June 30, 2016, the District recognized pension expense of \$159,202. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTES TO THE BASIC FINANCIAL STATEMENTS - continued  
For the year ended June 30, 2016

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to the measurement date	\$ 1,278,986	\$ -
Difference between actual contributions made by employer and the employer's proportionate share of the risk pool's total contribution	903,972	-
Difference between actual and expected experience	97,160	-
Changes in assumptions	-	(919,224)
Adjustment due to differences in proportions	2,001,156	(287,742)
Net difference between projected and actual earning on plan investments	-	(460,818)
Total	\$ 4,281,274	\$ (1,667,784)

\$1,278,986 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, 2016. 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,	
2016	\$ 332,366
2017	309,333
2018	103,769
2019	589,036

Actuarial Assumptions

The total pension liabilities in the June 30, 2014 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
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
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.

NOTES TO THE BASIC FINANCIAL STATEMENTS - continued  
For the year ended June 30, 2016

All other actuarial assumptions used in the June 30, 2014 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

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50 percent used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65 percent used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from the 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 best-estimate ranges of 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, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound 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 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 equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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. These rates of return are net of administrative expenses.

NOTES TO THE BASIC FINANCIAL STATEMENTS - continued  
For the year ended June 30, 2016

Asset Class	Current Target Allocation	Real Return Years 1-10 (1)	Real Return Years 11+ (2)
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	19.0%	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	2.0%	(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:

	Discount Rate - 1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate + 1% (8.65%)
Net pension liability	\$ 11,309,184	\$ 7,012,372	\$ 3,464,854

*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 9: 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 \$13,746,276 at June 30, 2016. Plan assets consist of investments in mutual funds, which are held in trust and are considered protected from the general creditors of the District.

NOTES TO THE BASIC FINANCIAL STATEMENTS - continued  
For the year ended June 30, 2016

**NOTE 10: 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 12. The District carries commercial insurance to protect against the risk of errors and omissions. For each of the three most recent years, settlement of claims has not exceeded insurance coverage.

**NOTE 11: COMMITMENTS AND CONTINGENCIES**

**A. Operating Leases**

The District leases a reservoir right of way from the Bureau of Land Management. This lease has no termination date. Annual lease expense is \$9,400.

The District leases waterline, wastewater disposal and water tank access rights of way from the U.S. Forest Service. These leases have no termination date. This lease amount is calculated annually by the U.S. Forest Service. For the year ended June 30, 2016, the lease expense was \$43,061.

**B. Contractual Obligations**

At June 30, 2016, the District's significant contractual commitments with outside firms for engineering, construction, consulting, and various other services totaled approximately \$7 million.

At June 30, 2016, 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.

**C. 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 12: 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.

NOTES TO THE BASIC FINANCIAL STATEMENTS - continued  
 For the year ended June 30, 2016

The following is a summary of the most current audited financial information for CSRMA as of June 30, 2015 (the most recent information available):

Total assets	\$ 27,418,098
Total liabilities	16,714,638
Net assets	10,703,460
Total income	10,895,632
Total expense	11,157,866

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.

The following is a summary of the most current audited financial information for the CAMP portfolio as of December 31, 2015 (the most recent information available):

Total assets	\$1,584,637,000
Total liabilities	414,000
Net assets	1,584,223,000
Net assets value per share	1
Total income	3,665,000
Total expenses	2,191,000
Net realized gain on sale of investments	97,000
Net increase in net assets resulting from operations	1,571,000

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

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



NOTES TO THE BASIC FINANCIAL STATEMENTS - continued  
For the year ended June 30, 2016

**NOTE 13: 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 14: INVESTMENT EARNINGS**

Investment earnings consisted of the following for the year ended June 30, 2016:

Interest income	\$ 299,375
Realized and unrealized gains	<u>105,918</u>
	<u>\$ 405,293</u>

**NOTE 15: OTHER OPERATING EXPENSES**

Other operating expenses consisted of the following for the year ended June 30, 2016:

Professional services	\$ 1,235,592
Operating permits	441,421
Chemical supplies	309,087
Office expense	251,687
Insurance and unreimbursed claims	243,659
Travel, meetings, and education	206,542
Research and monitoring	45,198
Miscellaneous expense	<u>1,204,994</u>
	<u>\$ 3,938,180</u>

REQUIRED SUPPLEMENTAL INFORMATION  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
As of June 30, 2016  
Last 10 Years\*

	Measurement Period	
	2015	2014
Proportion of the net pension liability	0.25560%	0.24100%
Proportionate share of the net pension liability	\$ 7,012,372	\$ 5,945,128
Covered - employee payroll	\$ 8,791,579	\$ 8,813,523
Proportionate share of the net pension liability as a percentage of covered - employee payroll	79.76%	67.45%
Plan fiduciary net position as a percentage of the total pension liability	77.77%	79.71%

**Notes to Schedule:**

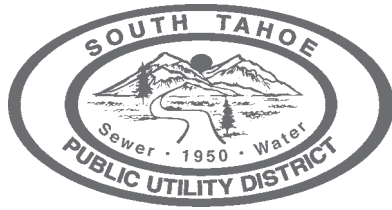
Changes in assumptions. The discount rate was changed from 7.50 percent (net of administrative expense) to 7.65 percent to correct for an adjustment to exclude administrative expense.

\* Fiscal year 2015 was the first year of implementation, therefore only two years are shown.

REQUIRED SUPPLEMENTAL INFORMATION  
 SCHEDULE OF CONTRIBUTIONS TO THE COST SHARING DEFINED BENEFIT PENSION PLAN  
 As of June 30, 2016  
 Last 10 Years\*

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

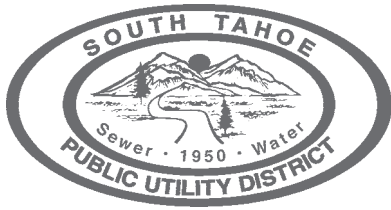
\* Fiscal year 2015 was the first year of implementation, therefore only two years are shown.





STPUD 2016  
Safe. Solid. Secure.

STATISTICAL



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	52-53
Net Position by Component	54
<ul style="list-style-type: none"> <li>• These schedules present financial trend data for assessing the District's financial position over time.</li> </ul>	
<u>Revenue Capacity Data</u>	
Water and Sewer Service Charges – Billings and Collections	55
Annual Sewer and Water Rates	56
Annual Sewer Permits Issued	56
Rate Increase History	56
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Principal Employers	60
Property Tax Assessments and Levies – Sewer Enterprise Fund	61
Property Tax Rates All Direct and Overlapping Governments	61
Principal Property Taxpayers	62
<ul style="list-style-type: none"> <li>• 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.</li> </ul>	
<u>Debt Capacity Data</u>	
Ratios of Outstanding Debt by Type	63
<ul style="list-style-type: none"> <li>• This schedule presents information on the District's debt burden per customer for both of its enterprise funds.</li> </ul>	
Pledged-Revenue Coverage	64
<ul style="list-style-type: none"> <li>• This schedule shows net revenue available for debt service and related coverage ratios.</li> </ul>	
<u>Operating Information</u>	
Capital Spending	65
Capital Asset Statistics by Function/Program	65
Detail of Capital Spending	66
<ul style="list-style-type: none"> <li>• These schedules provide information on the District's infrastructure replacement program and details spending on current large projects.</li> </ul>	
Wastewater Flows	67
<ul style="list-style-type: none"> <li>• The Wastewater Flow Schedule details the amount of influent customers send to the Wastewater Treatment Plant annually, monthly, and daily.</li> </ul>	
Water Production	68
<ul style="list-style-type: none"> <li>• The Water Production Schedule details potable water demand by customers annually, monthly, and daily.</li> </ul>	
<u>Demographic and Economic Information</u>	
Demographic Statistics	69
<ul style="list-style-type: none"> <li>• 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.</li> </ul>	
<u>Acknowledgments</u>	70

**CHANGES IN NET POSITION**  
 Last Ten Fiscal Years

	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>	<u>2012-13</u>
Operating revenues:				
Charges for sales and services:				
Service charges	\$22,356,964	\$21,048,326	\$19,857,736	\$19,905,104
Connection and service fees	1,623,742	2,646,447	2,477,127	1,732,924
Other operating income	<u>301,952</u>	<u>360,636</u>	<u>385,661</u>	<u>396,604</u>
Total operating revenues	<u>24,282,658</u>	<u>24,055,409</u>	<u>22,720,524</u>	<u>22,034,632</u>
Operating expenses:				
Salaries, wages and employee benefits	13,256,886	13,869,664	13,868,223	14,041,923
Depreciation and amortization	7,520,917	7,405,554	7,266,377	7,175,923
Utilities	2,739,345	2,636,321	2,683,320	2,746,641
Repairs and maintenance	1,744,263	1,611,897	1,488,279	1,427,598
Other operating expenses	3,938,180	3,923,978	3,774,104	3,135,358
Loss on disposal of assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>29,199,591</u>	<u>29,267,414</u>	<u>29,080,303</u>	<u>28,527,443</u>
Operating income (loss)	<u>(4,916,933)</u>	<u>(5,212,005)</u>	<u>(6,359,779)</u>	<u>(6,492,811)</u>
Nonoperating revenues (expenses):				
Tax revenue	7,106,309	6,761,836	6,362,637	6,167,800
Investment earnings	405,293	205,884	216,698	146,637
Aid from governmental agencies	357,044	503,417	539,624	317,492
Other nonoperating income	426,582	287,410	365,523	282,581
Interest expense	(738,504)	(813,055)	(879,398)	(1,284,731)
Other expense	<u>(224,345)</u>	<u>(173,181)</u>	<u>(312,018)</u>	<u>(228,814)</u>
Total nonoperating revenues	<u>7,332,379</u>	<u>6,772,311</u>	<u>6,293,066</u>	<u>5,400,965</u>
Income before contributions	2,415,446	1,560,306	(66,713)	(1,091,846)
Capital contributions (reimbursements)	<u>385,971</u>	<u>290,077</u>	<u>702,863</u>	<u>1,252,318</u>
Change in net position	<u>\$ 2,801,417</u>	<u>\$ 1,850,383</u>	<u>\$ 636,150</u>	<u>\$ 160,472</u>

*SOURCE: South Tahoe Public Utility District Finance Department*



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**CHANGES IN NET POSITION - continued**  
 Last Ten Fiscal Years

<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>	<u>2007-08</u>	<u>2006-07</u>
\$18,996,769	\$18,843,974	\$18,604,175	\$18,893,889	\$17,989,037	\$17,373,052
985,935	991,440	833,048	1,846,994	2,012,435	2,737,239
<u>342,608</u>	<u>400,643</u>	<u>336,922</u>	<u>336,923</u>	<u>352,641</u>	<u>234,907</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>	<u>20,345,198</u>
13,388,830	13,619,980	13,120,439	12,392,517	12,632,661	10,902,376
7,067,228	6,919,963	6,582,930	6,098,782	6,428,947	6,324,125
2,494,186	2,740,754	2,707,769	2,2633,497	3,051,521	2,811,641
1,408,910	1,381,239	1,297,337	1,631,748	1,936,648	1,268,018
2,857,630	3,234,225	3,002,659	2,975,492	3,191,607	3,354,115
9,418	68,397	201,297	-	-	389,057
<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>25,049,332</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>	<u>(3,132,524)</u>
6,120,827	6,198,253	6,638,488	6,667,671	6,404,070	6,284,784
300,142	306,131	443,430	1,649,122	2,264,933	2,326,466
483,547	360,360	212,228	344,530	1,111,171	604,736
250,967	317,025	665,179	530,507	448,190	446,864
(1,097,536)	(848,177)	(958,451)	(1,345,841)	1,353,088)	(1,162,339)
<u>(221,384)</u>	<u>(216,855)</u>	<u>(228,414)</u>	<u>(196,410)</u>	<u>(183,917)</u>	<u>(152,609)</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>	<u>6,767,548</u>
(1,064,327)	(1,611,764)	(365,826)	2,995,349	1,804,088	3,643,768
<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>89,264</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>	<u>\$ 3,733,032</u>

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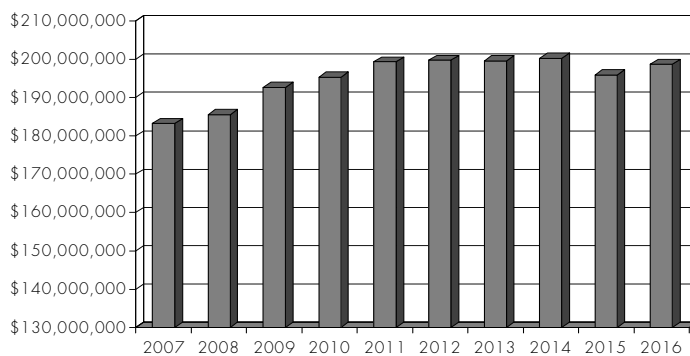
**NET POSITION BY COMPONENT**  
 Last Ten Fiscal Years

	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>	<u>2012-13</u>	<u>2011-10</u>
Business-type activities					
Net investment in					
capital assets	\$173,966,035	\$169,814,512	\$172,911,935	\$171,826,113	\$171,743,660
Restricted for MTBE-					
related costs	-	-	-	380,322	473,264
Restricted for security					
deposits	165,000	165,000	165,000	275,000	275,000
Restricted for debt					
service payment	876,779	-	-	-	-
Restricted for capital					
asset purchases	464,523	463,113	4,089,561	7,120,114	-
Unrestricted	<u>23,251,658</u>	<u>25,479,953</u>	<u>23,077,471</u>	<u>20,006,268</u>	<u>27,233,548</u>
Total business-type activities					
net position	<u>\$198,723,995</u>	<u>\$195,922,578</u>	<u>\$200,243,967</u>	<u>\$199,607,817</u>	<u>\$199,725,472</u>

	<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>	<u>2007-08</u>	<u>2006-07</u>
Business-type activities					
Net investment in					
capital assets	\$168,387,320	\$160,847,520	\$152,139,268	\$147,205,534	\$145,236,132
Restricted for MTBE-					
related costs	2,789,890	7,355,783	10,527,539	11,332,020	12,936,572
Restricted for security					
deposits	275,000	275,000	275,000	235,000	235,000
Restricted for debt					
service payment	-	-	-	-	-
Restricted for capital					
asset purchases	-	-	-	-	-
Unrestricted	<u>27,789,844</u>	<u>26,832,311</u>	<u>29,735,122</u>	<u>26,829,802</u>	<u>24,862,930</u>
Total business-type activities					
net position	<u>\$199,242,054</u>	<u>\$195,310,614</u>	<u>\$192,676,929</u>	<u>\$185,602,374</u>	<u>\$183,270,634</u>

SOURCE: South Tahoe Public Utility District Finance Department

**NET POSITION BY COMPONENT**



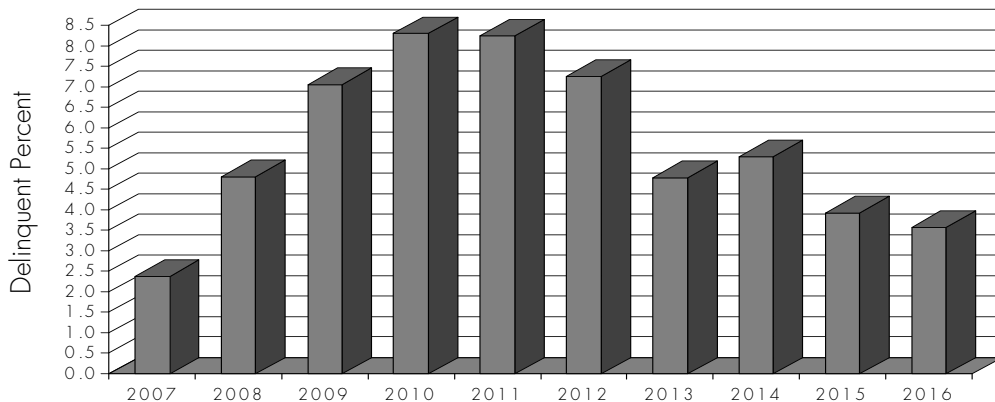
**WATER AND SEWER SERVICE CHARGES -  
 BILLINGS AND COLLECTIONS**  
 Last Ten Fiscal Years

Fiscal Year	Delinquent Receivables	Delinquent Accounts	Annual Billing		Total Annual Billing	Delinquent Percent
			Sewer Charges	Water Charges		
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
2006-07	412,691	2,061	8,960,077	8,412,975	17,373,052	2.38

*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
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
2006-07	\$311.88	\$426.32	\$738.20

TYPICAL COMMERCIAL METERED WATER RATE(2)

Fiscal Year	2" Meter Charge(3)	Consumption Charge Per 100 cu. ft.
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
2006-07	\$795.04	\$2.00

**ANNUAL SEWER PERMITS ISSUED**

Last Ten Fiscal Years

**RATE INCREASE HISTORY**

Last Ten Fiscal Years

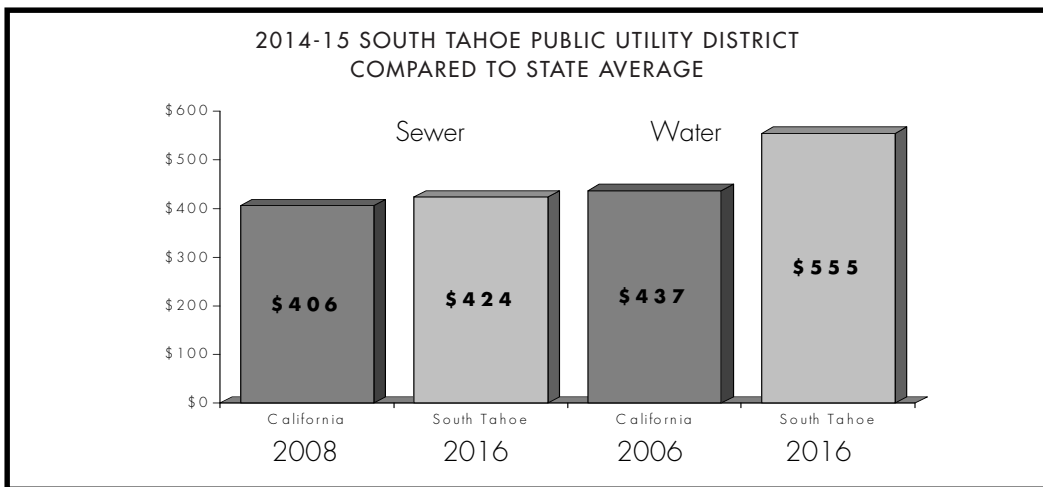
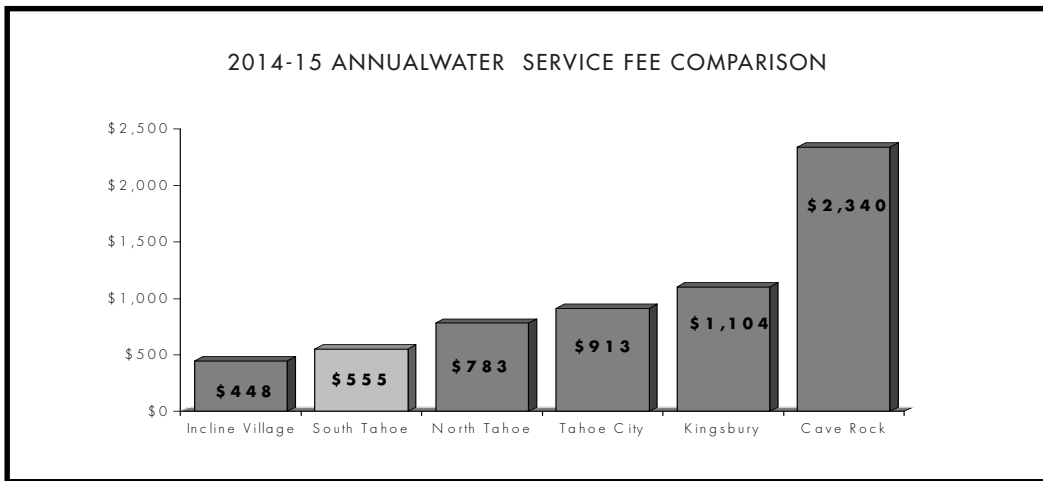
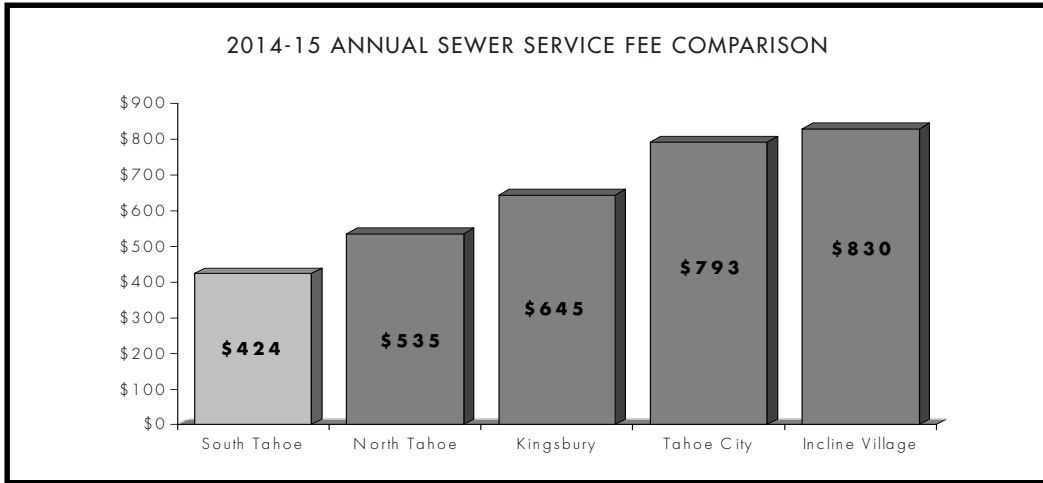
Fiscal Year	Number of Permits	Sewer	Water
2015-16	82	6.0%	6.5%
2014-15	109	6.0%	6.5%
2013-14	96	0.0%	0.0%
2012-13	67	5.0%	2.0%
2011-12	50	3.0%	0.0%
2010-11	53	2.0%	2.5%
2009-10	62	0.0%	0.0%
2008-09	58	4.0%	4.0%
2007-08	114	4.0%	4.0%
2006-07	172	4.0%	4.0%

*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



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

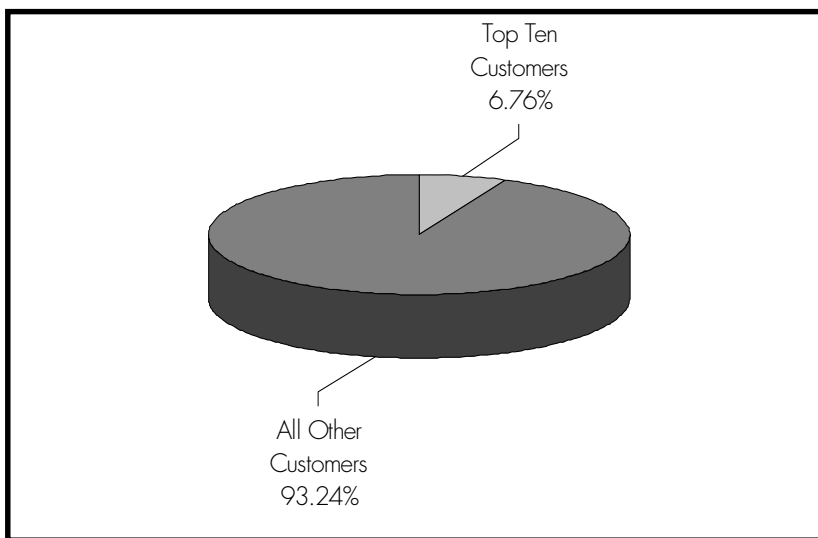
Note: State sewer and water comparisons are based on the most recent available surveys.

**TEN LARGEST CUSTOMERS**  
 Current Year and Nine Years Ago

Customer	2015-16			2006-07		
	Total Revenue	Rank	% of Service Charge	Total Revenue	Rank	% of Service Charge
City of South Lake Tahoe	\$ 214,738	1	0.96	\$ 48,860	5	0.66
Lake Tahoe Unified School District	200,489	2	0.90	111,801	6	0.64
Heavenly Mountain Resort	198,699	3	0.89	276,159	1	1.59
Marriott Grand Residence	156,102	4	0.70	209,246	2	1.20
Lake Tahoe Resort Partners (Embassy Vacation Resorts)	154,109	5	0.69	103,930	9	0.60
Marriott Timberlodge	149,702	6	0.67	115,254	4	0.66
Tahoe Verde	133,288	7	0.60	149,432	3	0.86
County of El Dorado	106,460	8	0.48	85,216	10	0.49
Lake Tahoe Resort Hotel (Embassy Suites)	102,234	9	0.46	108,492	7	0.62
Barton Memorial Hospital	96,506	10	0.43	—	—	—
Lake Tahoe Development	—	—	—	107,579	8	0.62
	\$1,512,326		6.76%	\$1,381,776		7.95%

SOURCE: South Tahoe Public Utility District Customer Service Department

**2015-16 TOTAL REVENUE**



**SEWER AND WATER SERVICE CHARGES BY TYPE OF CUSTOMER**  
 Last Ten Fiscal Years

Type of Customer	2015-16	2014-15	2013-14	2012-13	2011-12
Residential	\$18,093,784	\$17,004,356	\$15,921,932	\$15,766,282	\$14,874,714
Motel/Hotel/ Timeshare	1,640,110	1,521,542	1,575,233	1,685,628	1,712,233
Commercial	1,870,480	1,827,546	1,709,822	1,822,487	1,844,508
Government	748,119	690,672	646,778	626,726	561,515
Industrial	4,471	4,210	3,971	3,981	3,799
	\$22,356,964	\$21,048,326	\$19,857,736	\$19,905,104	\$18,996,769

Type of Customer	2010-11	2009-10	2008-09	2007-08	2006-07
Residential	\$14,727,584	\$14,435,526	\$14,541,849	\$13,850,793	\$13,464,452
Motel/Hotel/ Timeshare	1,704,018	1,663,568	1,738,703	1,648,852	1,587,923
Commercial	1,851,064	1,885,331	2,055,314	1,946,998	1,860,185
Government	557,727	616,079	553,747	538,521	457,063
Industrial	3,581	3,671	4,276	3,873	3,429
	\$18,843,974	\$18,604,175	\$18,893,889	\$17,989,037	\$17,373,052

*SOURCE: South Tahoe Public Utility District Customer Service Department*

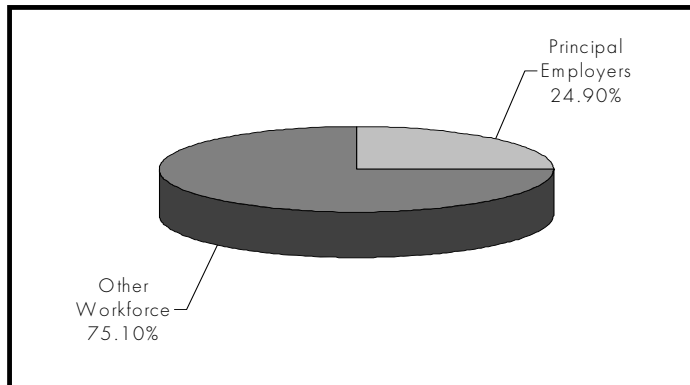
**PRINCIPAL EMPLOYERS**  
 Current Year and Nine Years Ago

Employer	Type of Business	2015-16			2006-07		
		Number of Employees	Rank	% of Total Workforce	Number of Employees	Rank	% of Total Workforce
Barton Memorial Hospital	Health Services	808	1	6.9%	909	1	5.7%
Heavenly Mountain Resort	Ski Industry	389	2	3.3%	157	9	0.9%
Lake Tahoe Unified School District	Education	386	3	3.3%	458	2	2.9%
Lake Tahoe Community College	Education	254	4	2.2%	260	4	1.6%
El Dorado County	Government	242	5	2.1%	225	7	1.4%
City of South Lake Tahoe	Government	204	6	1.7%	208	8	1.3%
Marriott Corporation	Lodging	188	7	1.6%	320	3	2.0%
Lake Tahoe Resort Hotel	Lodging	172	8	1.5%	-	-	-
United States Forest Service	Government	149	9	1.3%	245	5	1.5%
Raley's	Food/Drug	146	10	1.2%	227	6	1.4%
South Tahoe Public Utility District	Utilities	-	-	-	113	10	0.7%
Subtotal		2,781		24.9%	3,122		19.4%
Total Workforce		11,791			15,874		

*SOURCE: South Tahoe Public Utility District Finance Department*

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

**2015-16 TOTAL WORKFORCE**





**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	
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)
2006-07	\$5,466,761	\$5,685	\$108,019	\$112	\$5,574,780	\$5,797	(\$129)

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	2015-16	2014-15	2013-14	2012-13	2011-12
County General Levy	1.0000	1.0000	1.0000	1.0000	1.0000
Lake Tahoe Unified School District	0.0667	0.0667	0.0690	0.0684	0.0542
<b>TOTAL</b>	<b>1.0667</b>	<b>1.0667</b>	<b>1.0690</b>	<b>1.0684</b>	<b>1.0542</b>

Government	2010-11	2009-10	2008-09	2007-08	2006-07
County General Levy	1.0000	1.0000	1.0000	1.0000	1.0000
Lake Tahoe Unified School District	0.0522	0.0452	0.0194	0.0190	0.0199
<b>TOTAL</b>	<b>1.0522</b>	<b>1.0452</b>	<b>1.0194</b>	<b>1.0190</b>	<b>1.0199</b>

SOURCE: California Municipal Statistics, Inc.

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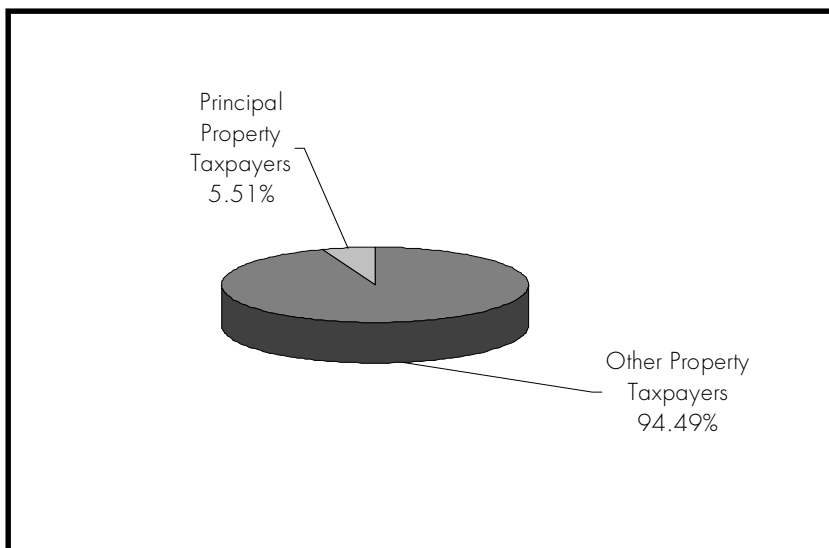
**PRINCIPAL PROPERTY TAXPAYERS**

Current Year and Nine Years Ago

Taxpayer	2015-16			2006-07		
	Taxable Assessed Value	Percentage of Total District Taxable Assessed Rank	Value	Taxable Assessed Value	Percentage of Total District Taxable Assessed Rank	Value
Heavenly Valley LP	\$ 67,073,153	1	1.09	\$ 78,120,657	1	1.43
First American Trust FSB	60,431,467	2	0.98	-	-	-
Roppongi-Tahoe LP	54,861,976	3	0.89	46,497,310	2	0.85
Tahoe Stateline Venture CA	30,943,926	4	0.50	-	-	-
Trans-Sierra Investments	29,966,543	5	0.49	35,632,839	4	0.65
Tahoe Crescent Partnership LP	24,755,544	6	0.40	19,563,694	7	0.36
Marriott Ownership Resorts	19,634,848	7	0.32	41,815,553	3	0.76
South Tahoe Refuse Co. Inc.	19,453,215	8	0.32	-	-	-
Tahoe Verde Partnership	17,318,327	9	0.28	-	-	-
Seven Springs LP	15,000,000	10	0.24	14,651,217	9	0.27
Robert and Lisa Maloff	-	-	-	14,619,085	10	0.27
Lake Tahoe Resort Partners	-	-	-	21,619,036	6	0.40
Heavenly Resort Properties	-	-	-	18,484,664	8	0.34
Sierra Shores	-	-	-	25,913,672	5	0.47
	<b>\$339,438,998</b>		<b>5.51</b>	<b>\$316,917,727</b>		<b>5.80</b>

SOURCE: California Municipal Statistics, Inc.

**2015-16 TAXPAYERS**



**RATIOS OF OUTSTANDING DEBT BY TYPE (1)**  
 Last Ten Fiscal Years

Business-Type Activities

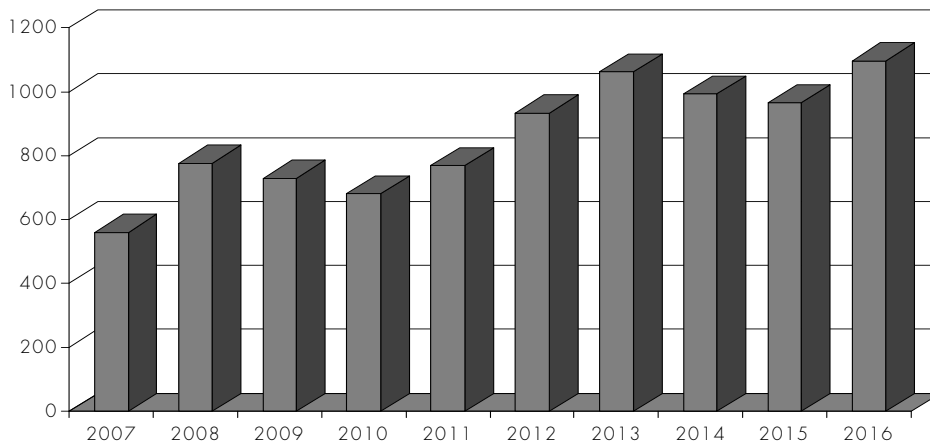
Fiscal Year	Water Revenue Bonds	Sewer Certificates of Participation	Term Loans	Total	Debt Per Capita(2)	Debt as a Share of Personal Income (2)
2015-16	\$ -	\$ -	\$39,338,901	\$39,338,901	\$1,097	3.84%
2014-15	-	-	35,444,404	35,444,404	966	3.51%
2013-14	-	-	35,963,588	35,963,588	993	3.54%
2012-13	-	-	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	-
2006-07	4,932,792	13,340,000	2,797,379	21,070,171	560	-

*SOURCE: South Tahoe Public Utility District Finance Department*

Notes:

- (1) Details regarding the District's outstanding debt can be found in Note F of the financial statements.
- (2) See the Demographics and Economic Statistics schedule on page 69 for population and per capita income data.

**2015-16 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)
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
2006-07	18,754,662	11,989,220	6,765,442	570,000	715,943	5.3

Water Enterprise Fund

Fiscal Year	Gross Revenues(3)	Less: Operating Expenses (1)	Net Available Revenues	Principal	Debt Service Interest (2)	Coverage Ratio(s) (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
2006-07	11,253,386	6,888,596	4,364,790	915,827	398,790	3.3

*SOURCE: South Tahoe Public Utility District Finance Department*

Notes:

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

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

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

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

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**CAPITAL SPENDING**  
 Last Ten Fiscal Years

Fiscal Year	Total	Sewer Enterprise Fund	Water Enterprise Fund
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
2006-07	21,744,381	10,878,231	10,866,150
	<b>\$131,708,717</b>	<b>\$64,740,546</b>	<b>\$66,968,171</b>

*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 Seven Fiscal Years

Fiscal Year	Sewer Lines (miles)	Sewer Treatment Capacity (million gallons)	Water Lines (miles)	Fire Hydrants	Water Storage Capacity (million gallons)
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

**DETAIL OF CAPITAL SPENDING**  
 Fiscal Year Ending June 30, 2016

Project Description	Spending 2015-16	Spending To 6-30-16	Completion Date
<i>Sewer Projects:</i>			
C-Line Re-Routing/Energy Generation	\$ -	\$ 425,639	In progress
Collection System Master Plan	-	731,830	In progress
DVR Irrigation Improvements Project	4,386,262	5,946,944	In progress
Sewer Repair: Osgood Avenue	149,732	149,732	6/30/2016
BMP Projects	2,023	174,937	In progress
Luther Pass Pump Station Power Control Update	3,841,554	4,467,215	In progress
Primary Clarifier #2 Rehab	733,939	862,919	6/30/2016
Aeration Basin #1 Rehab	1,095,725	1,178,278	6/30/2016
Trout Creek Restoration	310,059	1,312,291	In progress
Various Purchases/Projects Completed	613,001	658,914	Various
Various Projects in Progress	395,831	1,458,370	In progress
<b>Total Sewer Projects</b>	<b>\$11,528,126</b>	<b>\$19,432,584</b>	
<i>Water Projects:</i>			
Fire Hydrants Project	904,735	933,310	In progress
Water Meters Projects Phase 1	932,300	3,967,749	6/30/2016
Water Meters Projects Phase 2&3	1,287,410	1,287,410	In progress
BMP Projects	144	201,518	In progress
Saddle/Keller Waterlines	12,405	1,712,082	6/30/2016
Water System Optimization Plan	-	484,518	In progress
Sierra Tract Waterline Relocation	107,973	107,793	In progress
Various Purchases/Projects Completed	467,136	544,038	Various
Various Projects in Progress	348,030	540,100	In progress
<b>Total Water Projects</b>	<b>\$ 4,060,133</b>	<b>\$ 9,778,698</b>	
<b>Total All Projects</b>	<b>\$15,588,259</b>	<b>\$29,211,282</b>	

*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.

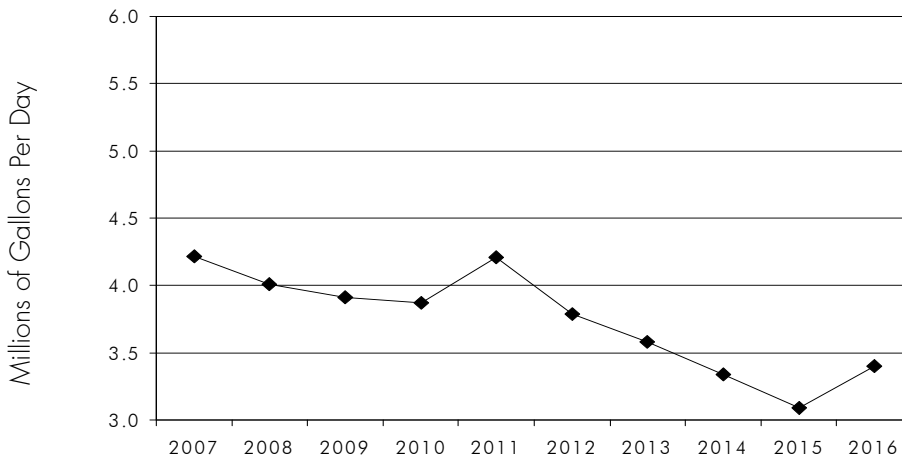
**WASTEWATER FLOWS**

Last Ten Fiscal Years  
(In million gallons)

Monthly Flow	15-16	14-15	13-14	12-13	11-12	10-11	09-10	08-09	07-08	06-07
July	113	121	125	127	148	135	140	143	139	154
August	104	112	115	117	130	124	130	134	132	142
September	89	91	98	100	110	109	113	112	115	125
October	83	85	91	92	104	103	105	106	108	122
November	81	81	85	92	99	100	97	100	104	115
December	103	98	103	122	110	141	114	115	120	128
January	112	97	98	120	110	135	120	123	125	133
February	113	90	104	107	105	119	112	108	120	126
March	129	90	107	119	126	144	124	131	140	136
April	104	81	95	101	118	153	120	113	120	121
May	106	87	97	103	111	137	119	121	117	118
June	104	94	102	107	113	137	117	119	121	120
<b>Total Annual Flow</b>	<b>1,241</b>	<b>1,127</b>	<b>1,220</b>	<b>1,307</b>	<b>1,384</b>	<b>1,537</b>	<b>1,411</b>	<b>1,425</b>	<b>1,461</b>	<b>1,540</b>
<b>Average Monthly Flow</b>	<b>103</b>	<b>94</b>	<b>102</b>	<b>109</b>	<b>115</b>	<b>128</b>	<b>118</b>	<b>119</b>	<b>122</b>	<b>128</b>
<b>Average Daily Flow</b>	<b>3.40</b>	<b>3.09</b>	<b>3.34</b>	<b>3.58</b>	<b>3.79</b>	<b>4.21</b>	<b>3.87</b>	<b>3.90</b>	<b>4.00</b>	<b>4.22</b>

SOURCE: South Tahoe Public Utility District Laboratory Department

**AVERAGE DAILY WASTEWATER FLOW TREND**



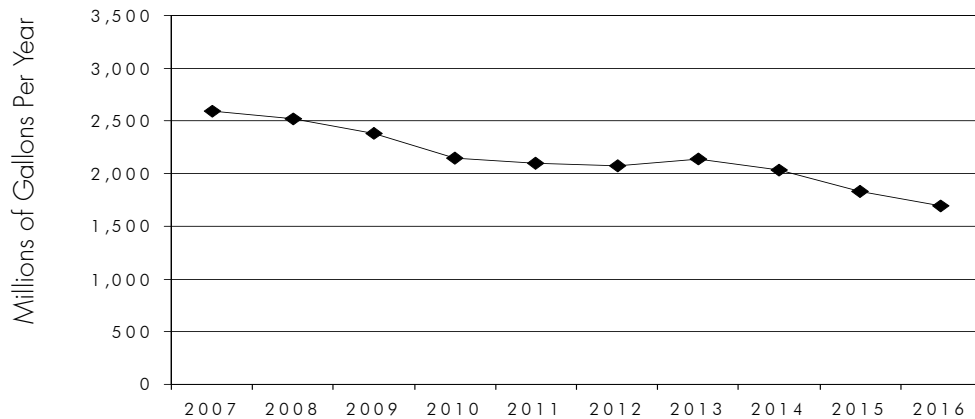
**WATER PRODUCTION**

Last Ten Fiscal Years  
(In million gallons)

Monthly Production	15-16	14-15	13-14	12-13	11-12	10-11	09-10	08-09	07-08	06-07
July	207	279	285	306	285	329	329	361	381	350
August	218	241	273	296	289	320	307	355	381	343
September	189	212	224	240	232	267	268	294	280	276
October	130	142	140	160	139	147	147	178	164	167
November	102	97	99	104	107	120	122	116	118	119
December	124	117	144	128	132	138	157	152	162	176
January	104	129	129	138	122	127	136	141	149	183
February	93	99	99	107	101	105	99	111	118	132
March	98	99	98	104	99	113	106	110	123	135
April	91	102	111	114	107	99	100	111	118	132
May	126	129	185	198	210	133	128	209	219	245
June	209	181	249	240	251	203	244	243	304	331
Annual Totals	1,691	1,827	2,036	2,135	2,074	2,101	2,143	2,381	2,517	2,589
Average Monthly Water Production	141	152	170	178	173	175	179	198	210	216
Average Daily Water Production	4.63	5.01	5.58	5.85	5.68	5.76	5.87	6.52	6.90	7.09

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 Rate So. Lake Tahoe (4)(7)	School Enrollment (3)(9)	District Population (1)(2)	Per Capita Income (6)(10)	Personal Income (in thousands) (6)(10)
2015-16	116	11,791	6.10%	3,996	35,848	\$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	-	-
2006-07	113	15,874	6.87%	4,291	37,602	-	-

SOURCES:

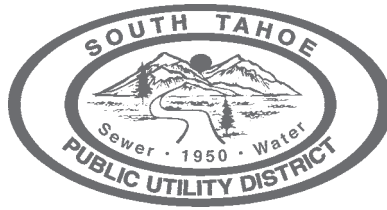
- (1) California Department of Finance for city residents
- (2) South Tahoe Public Utility District Finance Department estimate (represents the Montgomery Estates, Tahoe Paradise, Meyers, Angora Highlands, Fallen Leaf Lake, and Christmas Valley portions of El Dorado County) using the most recent census 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

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



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**SOUTH TAHOE PUBLIC UTILITY DISTRICT**  
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