



Financial Statements and Report of Independent
Certified Public Accountants

South Tahoe Public Utility District

June 30, 2015

TABLE OF CONTENTS

	Page
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS	3
MANAGEMENT’S DISCUSSION AND ANALYSIS	6
BASIC FINANCIAL STATEMENTS.....	12
Statement of Net Position – Proprietary Funds	13
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	14
Statement of Cash Flows – Proprietary Funds.....	15
Notes to the Financial Statements.....	17
REQUIRED SUPPLEMENTAL INFORMATION.....	37
Schedule of Contributions	38
Schedule of Proportionate Share of the Net Pension Liability	38
OTHER REPORTS REQUIRED BY GOVERNMENT AUDITING STANDARDS	39
Report of Independent Certified Public Accountants on Internal Control over Financial Reporting and on Compliance and Other Matters Required <i>Government Auditing Standards</i>	40
Report of Independent Certified Public Accountants on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133.....	42
Schedule of Expenditures of Federal Awards	44
Notes to Schedule of Expenditures of Federal Awards.....	45
Schedule of Findings	46
Status of Prior Year Findings and Questioned Costs.....	48

Report of Independent Certified Public Accountants

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

Report on the financial statements

We have audited the accompanying financial statements of the business-type activities of South Tahoe Public Utility District (the “District”) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements as listed in the table of contents.

Management’s responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of June 30, 2015, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other matters**Required supplementary information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules of contributions and proportionate share of net pension liability on pages 5 through 11 and 38 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary information

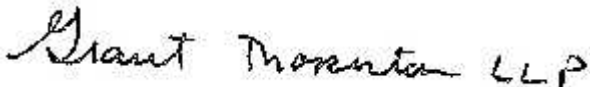
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The schedule of expenditures of federal awards, as required by the U.S. Office of Management and Budget Circular A133, Audits of States, Local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

Report on 2014 summarized comparative information

We have previously audited the District's 2014 basic financial statement (not presented herein), and we expressed an unmodified audit opinion on the respective basic financial statements in our report dated November 12, 2014. The adoption of GASB 68 was reported as a cumulative effect adjustment to the beginning net position as of July 1, 2014. The District's 2014 summarized comparative information has not been restated as it is not practical to determine the deferred inflows and outflows of resources related to the pension liability.

Other reporting required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report, November 25, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Reno, Nevada
November 25, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

South Tahoe Public Utility District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended June 30, 2015

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 \$76 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 2014-15, the District continued the replacement program, and a total of \$4.0 million was spent on waterline replacement and upsizing, booster station improvements, water storage facilities, and future planning. The following waterline projects were completed during the year.

Project Area	Total Lineal Feet	Spent as of June 30, 2015	Estimate to Complete
Saddle/Keller Waterline	5,190	\$1,524,976	\$ 0
State Streets (A) Waterline	17,865	4,865,372	0

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.

The District is continuing to install water meters on all service connections to meet the California state mandate, which requires all water providers with greater than 3,000 service connections be completely metered by 2025. During fiscal year 2010-11, the District completed installation of approximately 2,500 meters funded with a \$4.4 million grant. Through the end of 2014-15, an additional 3,500 meters have been installed. These additional installations increased the portion of the water system metered to approximately 54%. The amount spent on meter installations in fiscal year 2014-15 was \$2.1 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 2014-15 \$1.5 million was invested in sewer infrastructure improvements. Last fall, the District completed a three-year project to replace the sewer treatment headworks at a cost of approximately \$14 million. The District funded this project with reserves, a low-interest loan through the California State Water Resources Control Board State Revolving Fund program, and an additional installment agreement. Two projects which have been in the planning and design phase over the last few years will break 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, and will be funded with low cost loans through the California State Water Resources Control Board.

- During the year more than \$8 million was invested in sewer and water infrastructure.
- Net position of the District decreased \$4.3 million or 2.2% due to GASB 68 reporting requirements.
- The Sewer and Water Enterprise Funds' income (loss) is \$1,596,107 and (\$35,801), respectively.
- Operating revenue is up 5.9% due to an increase in service charge rates and residential and commercial development.
- Operating expenses are up .6% but came in 5.3% under budget.
- In fiscal year 2014-15, the District was awarded competitive grants totaling more than \$.9 million, following more than \$.4 million awarded in 2013-14 and \$1.6 million awarded in 2012-13. These grants will fund, among other things, waterline replacements, water pumping facilities, and water conservation programs.

South Tahoe Public Utility District
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

For the year ended June 30, 2015

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. GASB 68 reporting requirements created a negative \$5.7 million impact to Total Net Position. Before posting the GASB 68 entries, Total Net Position showed an increase of \$1.4 million over the prior year. For more information on the District's pension plan, see Note G of the Notes to the Financial Statements.

	<u>Net Position</u> <i>(in thousands)</i>			
	June 30,			
	2015	2014	Change	Change
Current and other	\$ 45,740	\$ 47,179	\$ (1,439)	(3.1%)
Capital assets	205,259	203,899	1,360	0.7%
Total assets	<u>\$ 250,999</u>	<u>\$ 251,078</u>	<u>\$ (79)</u>	<u>(0.03%)</u>
Total deferred outflows	\$ 1,877	\$ 368	\$ 1,509	-
Debt outstanding	\$ 35,444	\$ 35,964	\$ (520)	(1.4%)
Net pension liability	5,945	-	5,945	-
Other liabilities	14,281	15,238	(957)	(6.3%)
Total liabilities	<u>\$ 55,670</u>	<u>\$ 51,202</u>	<u>\$ 4,468</u>	<u>8.7%</u>
Deferred inflows of resources	\$ 1,284	\$ -	\$ 1,284	-
Net investment in capital assets	\$ 169,814	\$ 172,025	\$ (2,211)	(1.3%)
Restricted for security deposits	165	165	-	-
Restricted of capital asset purchases	463	4,552	(4,089)	(89.8%)
Unrestricted	25,480	23,502	1,978	8.4%
Total net position	<u>\$ 195,922</u>	<u>\$ 200,244</u>	<u>\$ (4,322)</u>	<u>(2.2%)</u>

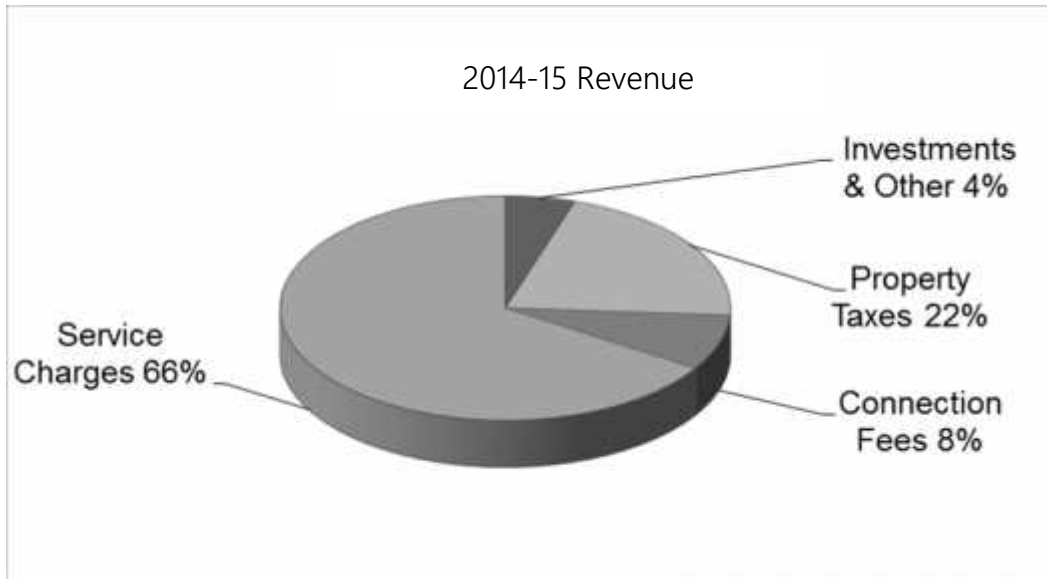
South Tahoe Public Utility District

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

For the year ended June 30, 2015

Revenue and Expenses

The District finances sewer and water operations through user charges, property tax receipts, and other income. Total revenue for fiscal year 2014-15 is \$31.8 million, a \$1.6 million or 5.3% increase from the prior year. The 2015 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 up \$169,000 or 6.8% due to an increase of both commercial and residential development. Property tax revenue is up by \$399,000 or 6.3%, compared to the prior year. El Dorado County estimates that property tax collections will be up approximately 5.3% for 2015-16 due to a slight increase in assessed values. Investment income is slightly down due to changes in available investment balances, while other income is down compared to the prior year due to fluctuations in miscellaneous income categories and timing of grant receipts.



Revenues
(in thousands)

	Year ended June 30,		Change	Change
	2015	2014		
Service charges	\$ 21,048	\$ 19,858	\$ 1,190	6.0%
Connection fees	2,646	2,477	169	6.8%
Other	361	386	(25)	(6.5%)
Total operating revenue	<u>24,055</u>	<u>22,721</u>	<u>1,334</u>	<u>5.9%</u>
Property taxes	6,762	6,363	399	6.3%
Investments	206	217	(11)	(5.1%)
Other	791	905	(114)	(12.6%)
Total non-operating revenue	<u>7,759</u>	<u>7,485</u>	<u>274</u>	<u>3.7%</u>
Total revenue	<u>\$ 31,814</u>	<u>\$ 30,206</u>	<u>\$ 1,608</u>	<u>5.3%</u>

South Tahoe Public Utility District

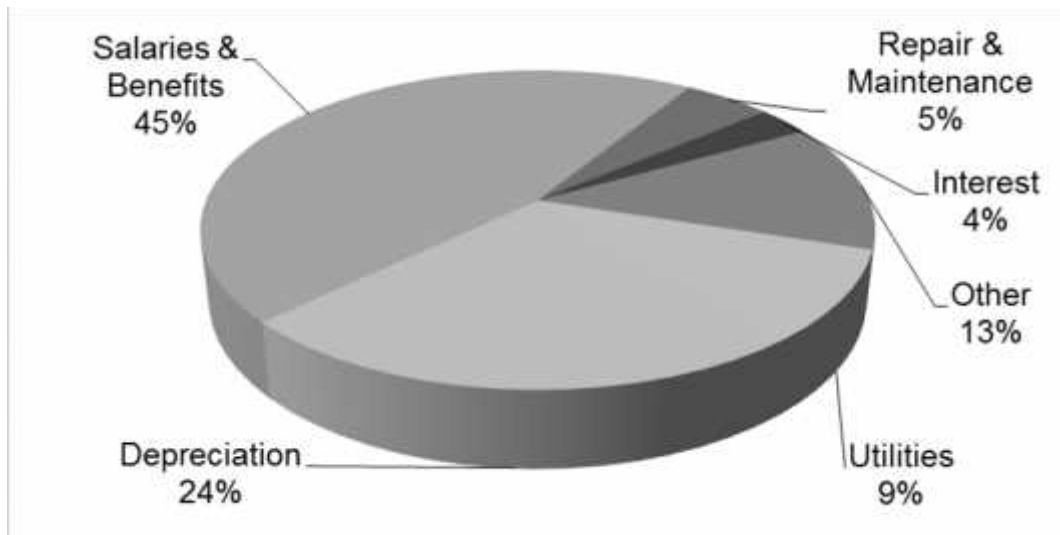
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

For the year ended June 30, 2015

Revenue and Expenses - Continued

Total operating expenses for the current year are \$29.3 million, up \$.2 million from the prior year. The combined salaries and benefits are down \$.2 million or 1.3% due to required GASB 68 adjustments to pension expense. Salaries alone were up \$.2 million due to a 2.0% COLA implemented July 1, 2014. The GASB 68 entries reduced pension expense in the benefits category by \$.5 million. The District's policy is to capitalize labor associated with capital projects. The capitalized portion of salaries and benefits is not accounted for in operating expenses, as it is included in capital assets on the Balance Sheet. The amount of capitalized labor for fiscal year 2015 was \$617,652 compared to \$627,597 in the prior year. When comparing salary and benefit totals year-to-year including the capitalized amounts, the 2015 decrease from the prior year was \$178,559 or 1.3%. 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 nearly flat compared to the prior year. Interest expense is down due to one-time payments in the prior year related to debt refinancings.

2014-15 Expenses



	<u>Expenses</u>		Change	Change
	(in thousands)			
	Year ended June 30,			
	2015	2014		
<u>Operating expenses:</u>				
Salaries and benefits	\$ 13,690	\$ 13,868	\$ (178)	(1.3%)
Depreciation	7,405	7,267	138	1.9%
Utilities	2,636	2,683	(47)	(1.8%)
Repair and maintenance	1,612	1,488	124	8.3%
Other	3,924	3,774	150	4.0%
Total operating expenses	<u>29,267</u>	<u>29,080</u>	<u>187</u>	<u>0.6%</u>
<u>Non-operating expenses:</u>				
Interest expense	813	879	(66)	(7.5%)
Other	173	312	(139)	(44.6%)
Total non-operating expenses	<u>986</u>	<u>1,191</u>	<u>(205)</u>	<u>(17.2%)</u>
Total expenses	<u>\$ 30,253</u>	<u>\$ 30,271</u>	<u>\$ (18)</u>	<u>(0.1%)</u>

South Tahoe Public Utility District

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

For the year ended June 30, 2015

Revenue and Expenses - Continued

The fiscal year 2014-15 income (loss) before capital contributions is \$1.6 million as compared to the budgeted income of (\$1.4) million and the actual prior year income of (\$.1) million. For the year, capital contributions increased net position an additional \$.3 million. The addition of GASB 68 resulted in a prior period adjustment in an amount of \$6.2 million to beginning net position.

	<u>Changes in Net Position</u>			
	<i>(in thousands)</i>			
	June 30,		Change	Change
2015	2014			
Beginning net position	\$ 200,244	\$ 199,608	\$ 636	0.3%
GASB 68 adjustment	(6,172)	-	(6,172)	-
Beginning net position restated	194,072	199,608	(5,536)	(2.8%)
Income (loss) before contributions	1,560	(67)	1,627	2,428.4%
Capital contributions	290	703	(413)	(58.7%)
Changes in net position	1,850	636	1,214	190.9%
Ending net position	\$ 195,922	\$ 200,244	\$ (4,322)	(2.2%)

Capital Assets

The District's investment in its sewer and water systems is \$205 million at the end of the fiscal year net of depreciation. During the year, more than \$8 million was spent on new infrastructure and equipment. \$6.5 million was spent on water system improvements. As noted in the highlights, new waterlines improve system reliability, water pressure, and fire flow capability. \$1.5 was invested in sewer system improvements including treatment upgrades, line protection and recycled effluent projects.

	<u>Capital Assets</u>					
	<i>(net of depreciation, in thousands)</i>					
	Sewer		Water		Total	
	2015	2014	2015	2014	2015	2014
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	84,442	87,564	82,486	77,512	166,928	165,076
Construction in progress	7,895	7,231	4,022	5,178	11,917	12,409
Total	\$115,180	\$117,638	\$ 90,079	\$ 86,261	\$205,259	\$203,899

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

South Tahoe Public Utility District

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

For the year ended June 30, 2015

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 \$35.4 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,	
	2015	2014
<u>Sewer Enterprise Fund:</u>		
California State Revolving Loan Fund (secured by sewer revenue)	\$ 2,172	\$ 2,279
California State Revolving Loan Fund (secured by sewer revenue)	839	875
California State Revolving Loan Fund (secured by sewer revenue)	1,160	1,214
Installment Sale Agreement (secured by sewer revenue)	5,695	5,943
Installment Sale Agreement (secured by sewer revenue)	8,620	9,423
Loan Agreement (secured by sewer revenue)	7,363	7,861
Total sewer enterprise fund	25,849	27,595
<u>Water Enterprise Fund:</u>		
Installment Sale Agreement (secured by water revenue)	7,270	8,369
California State Revolving Loan Fund (secured by water revenue)	2,325	-
Total water enterprise fund	9,595	8,369
Total debt	\$ 35,444	\$ 35,964

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

Contacting the District's Financial Management

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

BASIC FINANCIAL STATEMENTS

South Tahoe Public Utility District

**STATEMENT OF NET POSITION
Proprietary Funds**

June 30, 2015

(With comparative totals for June 30, 2014)

ASSETS AND DEFERRED OUTFLOW OF RESOURCES	Business-type Activities		Total	
	Enterprise Funds		2015	2014
	Sewer	Water		
Current assets:				
Cash and cash equivalents	\$ 12,889,680	\$ 527,944	\$ 13,417,624	\$ 11,625,381
Investments	2,007,240	1,034,033	3,041,273	900,712
Accounts receivable, net of allowance for doubtful accounts	275,179	1,798,350	2,073,529	2,304,606
Due from governmental agencies	28,129	1,263,152	1,291,281	665,546
Property tax receivable	6,750,185	-	6,750,185	6,407,605
Other current assets	340,976	921,450	1,262,426	1,047,137
Total current assets	22,291,389	5,544,929	27,836,318	22,950,987
Noncurrent assets:				
Restricted assets:				
Cash and cash equivalents	463,113	-	463,113	4,552,380
Certificate of deposit	50,000	115,000	165,000	165,000
Total restricted assets	513,113	115,000	628,113	4,717,380
Long-term accounts receivable	471,426	-	471,426	607,555
Due from governmental agencies, net of allowance for doubtful accounts	53,020	53,020	106,040	175,884
Investments	11,021,064	5,677,518	16,698,582	18,726,945
Capital assets	208,696,485	125,978,519	334,675,004	326,468,874
Less accumulated depreciation	(93,515,903)	(35,900,187)	(129,416,090)	(122,569,787)
Total capital assets	115,180,582	90,078,332	205,258,914	203,899,087
Total noncurrent assets	127,239,205	95,923,870	223,163,075	228,126,851
Total assets	\$ 149,530,594	\$ 101,468,799	\$ 250,999,393	\$ 251,077,838
Deferred outflows of resources:				
Refunding loan costs	283,952	45,749	329,701	368,095
Net pension liability	929,037	618,772	1,547,809	-
Total deferred outflows	1,212,989	664,521	1,877,510	368,095
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES				
Current liabilities:				
Accounts payable	\$ 554,185	\$ 851,126	\$ 1,405,311	\$ 2,816,049
Unearned revenue	7,345,713	595,957	7,941,670	7,757,914
Accrued expenses	114,656	1,328,787	1,443,443	1,118,070
Accrued interest payable	307,948	82,514	390,462	421,722
Compensated absences - current	686,490	475,110	1,161,600	1,068,994
Long-term debt - current	1,790,323	647,123	2,437,446	2,844,219
Total current liabilities	10,799,315	3,980,617	14,779,932	16,026,968
Noncurrent liabilities:				
Compensated absences	1,149,915	788,324	1,938,239	2,055,629
Long-term debt	24,059,084	8,947,874	33,006,958	33,119,369
Net Pension Liability	3,598,804	2,346,324	5,945,128	-
Total noncurrent liabilities	28,807,803	12,082,522	40,890,325	35,174,998
Total liabilities	39,607,118	16,063,139	55,670,257	51,201,966
Deferred inflows of resources:				
Net pension liability	772,356	511,712	1,284,068	-
NET POSITION				
Net investment in capital assets	89,331,175	80,483,337	169,814,512	172,025,061
Restricted for security deposits	50,000	115,000	165,000	165,000
Restricted for capital asset purchases	463,113	-	463,113	4,552,379
Unrestricted	20,519,821	4,960,132	25,479,953	23,501,527
Total net position	\$ 110,364,109	\$ 85,558,469	\$ 195,922,578	\$ 200,243,967

The accompanying notes are an integral part of this statement.

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

For the year ended June 30, 2015
(With comparative totals for the year ended June 30, 2014)

	Business-type Activities		Total	
	Enterprise Funds		2015	2014
	Sewer	Water		
Operating revenues:				
Charges for sales and services:				
Service charges	\$ 11,243,512	\$ 9,804,814	\$ 21,048,326	\$ 19,857,736
Connection and service fees	1,693,027	953,420	2,646,447	2,477,127
Other operating income	146,404	214,232	360,636	385,661
Total operating revenues	<u>13,082,943</u>	<u>10,972,466</u>	<u>24,055,409</u>	<u>22,720,524</u>
Operating expenses:				
Salaries, wages and employee benefits	8,281,710	5,407,954	13,689,664	13,868,223
Depreciation and amortization	4,532,063	2,873,491	7,405,554	7,266,377
Utilities	1,948,004	688,317	2,636,321	2,683,320
Repairs and maintenance	684,636	927,261	1,611,897	1,488,279
Other operating expenses	2,246,305	1,677,673	3,923,978	3,774,104
Total operating expenses	<u>17,692,718</u>	<u>11,574,696</u>	<u>29,267,414</u>	<u>29,080,303</u>
Operating loss	<u>(4,609,775)</u>	<u>(602,230)</u>	<u>(5,212,005)</u>	<u>(6,359,779)</u>
Nonoperating revenues (expenses):				
Tax revenue	6,733,690	28,146	6,761,836	6,362,637
Investment earnings	162,098	43,786	205,884	216,698
Aid from governmental agencies	98,979	404,438	503,417	539,624
Other nonoperating income	58,255	229,155	287,410	365,523
Interest expense	(714,457)	(98,598)	(813,055)	(879,398)
Other expense	(132,683)	(40,498)	(173,181)	(312,018)
Total nonoperating revenues	<u>6,205,882</u>	<u>566,429</u>	<u>6,772,311</u>	<u>6,293,066</u>
Income (loss) before contributions	1,596,107	(35,801)	1,560,306	(66,713)
Capital contributions	<u>34,865</u>	<u>255,212</u>	<u>290,077</u>	<u>702,863</u>
INCREASE IN NET POSITION	<u>1,630,972</u>	<u>219,411</u>	<u>1,850,383</u>	<u>636,150</u>
Net position at beginning of year, as previously reported	112,468,830	87,775,137	200,243,967	199,607,817
Change in Accounting Principle, GASB 68 adjustment	<u>(3,735,693)</u>	<u>(2,436,079)</u>	<u>(6,171,772)</u>	<u>-</u>
Net position at beginning of year, as restated	<u>108,733,137</u>	<u>85,339,058</u>	<u>194,072,195</u>	<u>199,607,817</u>
Net position at end of year	<u>\$ 110,364,109</u>	<u>\$ 85,558,469</u>	<u>\$ 195,922,578</u>	<u>\$ 200,243,967</u>

The accompanying notes are an integral part of this statement.

South Tahoe Public Utility District

**STATEMENT OF CASH FLOWS
Proprietary Funds**

**For the year ended June 30, 2015
(With comparative totals for the year ended June 30, 2014)**

	Business-type Activities		Total	
	Enterprise Funds		2015	2014
	Sewer	Water		
Cash flows from operating activities:				
Cash received from customers	\$ 13,551,570	\$ 10,694,165	\$ 24,245,735	\$ 21,738,084
Other income	146,404	214,232	360,636	385,661
Cash paid to employees for services	(8,583,057)	(5,621,775)	(14,204,832)	(13,872,783)
Cash paid to suppliers	(4,788,210)	(3,477,531)	(8,265,741)	(8,258,643)
Cash provided by (used in) operating activities	326,707	1,809,091	2,135,798	(7,681)
Cash flows from non-capital financing activities:				
Tax revenue	6,391,110	28,146	6,419,256	5,966,359
Payments from / (to) governmental agencies	89,808	(24,549)	65,259	1,293,057
Cash provided by non-capital financing activities	6,480,918	3,597	6,484,515	7,259,416
Cash flows from capital and related financing activities:				
Purchase of capital assets	(2,218,337)	(7,647,373)	(9,865,710)	(5,986,454)
Repayment of debt	(1,744,997)	(1,099,223)	(2,844,220)	(3,378,633)
Proceeds from issuance of debt	-	2,325,036	2,325,036	-
Interest paid on notes payable	(734,163)	(182,044)	(916,207)	(846,714)
Contributed capital	34,865	255,212	290,077	702,863
Cash used in capital and related financing activities	(4,662,632)	(6,348,392)	(11,011,024)	(9,508,938)
Cash flows from investing activities:				
Interest and dividends on investments	145,419	34,733	180,152	174,756
Purchase of investments	(4,950,000)	(2,550,000)	(7,500,000)	(6,500,000)
Proceeds from sale of investments	4,892,629	2,520,906	7,413,535	6,449,258
Cash provided by investing activities	88,048	5,639	93,687	124,014
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,233,041	(4,530,065)	(2,297,024)	(2,133,189)
Cash and cash equivalents, beginning (including \$462,818 and \$4,089,562 reported in restricted assets for sewer and water, respectively)	11,119,752	5,058,009	16,177,761	18,310,950
Cash and cash equivalents, ending (including \$463,113 and \$0 reported in restricted assets for sewer and water, respectively)	\$ 13,352,793	\$ 527,944	\$ 13,880,737	\$ 16,177,761

South Tahoe Public Utility District

**STATEMENT OF CASH FLOWS - CONTINUED
Proprietary Funds**

**For the year ended June 30, 2015
(With comparative totals for the year ended June 30, 2014)**

	Business-type Activities		Total	
	Enterprise Funds		2015	2014
	Sewer	Water		
Reconciliation of operating loss to cash provided by operating activities:				
Operating loss	\$ (4,609,775)	\$ (602,230)	\$ (5,212,005)	\$ (6,359,779)
Adjustments to reconcile operating loss to cash provided by (used in) operating activities:				
Depreciation and amortization	4,532,063	2,873,491	7,405,554	7,266,377
Change in pension liability	(293,569)	(196,815)	(490,384)	-
(Increase) decrease in accounts receivable	300,618	66,588	367,206	(270,914)
(Increase) decrease in other assets	(18,920)	(196,369)	(215,289)	95,985
Decrease in accounts payable	29,587	(233,216)	(203,629)	(238,328)
Increase (decrease) in unearned revenue	314,413	(130,657)	183,756	(325,865)
Increase in other payables	72,290	228,299	300,589	(175,157)
Cash provided by (used in) operating activities	<u>\$ 326,707</u>	<u>\$ 1,809,091</u>	<u>\$ 2,135,798</u>	<u>\$ (7,681)</u>
Non-cash capital and related financing activities:				
Capital assets included in accounts payable	<u>\$ 42,593</u>	<u>\$ 544,682</u>	<u>\$ 587,275</u>	<u>\$ 1,794,384</u>
Non-cash investing activities:				
Increase in fair value of investments	<u>\$ 16,679</u>	<u>\$ 9,053</u>	<u>\$ 25,732</u>	<u>\$ 41,942</u>

The accompanying notes are an integral part of this statement.

South Tahoe Public Utility District
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. Reporting Entity

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

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

- Sewer Enterprise Fund
- Water Enterprise Fund

2. Basis of Accounting

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

3. Budget

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

4. Cash and Cash Equivalents

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

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

5. Investments

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

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

South Tahoe Public Utility District

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

6. Reserves

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

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

7. Capital Assets

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

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

8. Compensated Absences

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

South Tahoe Public Utility District

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

9. Pension Plan

The California Public Employees Retirement System (PERS) values assets using a smoothing technique. PERS determines the expected value of assets (using the assumed actuarial rate of return) and adds one-fifteenth of the difference between the actual market value of assets and the expected value of assets to equal the asset valuation. In addition, the value of assets will not be less than 80% or greater than 120% of the actual market value of assets. The PERS actuarial methodology serves to diminish short-term market value fluctuations on employer contribution rates.

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. Investments are reported at fair value.

10. 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.

11. Use of Estimates

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

12. Operating and Non-operating Revenues

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

South Tahoe Public Utility District

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

13. 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.

14. Comparative Information

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. This data has not been restated for the adoption of GASB 68 as it was deemed not practical to determine the amount of deferred inflows and outflows of resources of the pension liability prior to July 1, 2014, as CalPERS had not performed the necessary valuations.

15. New Accounting Pronouncements

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68), which improves accounting and financial reporting by state and local governments for pensions. This statement supersedes GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers*, as well as Statement No. 50, *Pension Disclosures*. GASB 68 is effective for fiscal years beginning after December 15, 2014. The District adopted and implemented GASB 68 for fiscal year ended June 30, 2015. The implementation resulted in a reduction to net position of \$6,171,772 as of July 1, 2014. Additional impacts and recordings resulting from this implementation are reported in Note G.

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. GASB 72 is effective for fiscal years beginning after June 15, 2015. The anticipated impact of this pronouncement is uncertain at this time.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. GASB 74 is effective for fiscal years beginning after June 15, 2016. The anticipated impact of this pronouncement is uncertain at this time.

South Tahoe Public Utility District

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE B - CASH AND INVESTMENTS

Cash and investments as of June 30, 2015 consist of the following:

Cash and cash equivalents:

Unrestricted:	
Cash on hand	\$ 2,250
Unrestricted deposits in financial institutions	1,381,228
Deposits in El Dorado County Treasury	185,732
Deposits in California Asset Management Program (CAMP)	158,015
Deposits in Local Agency Investment Fund (LAIF)	11,690,399
	13,417,624
Restricted:	
Deposits CAMP	463,113

Investments:

Unrestricted:	
Agency notes	9,839,621
Corporate notes	5,786,710
Commercial paper	499,961
Municipal notes	115,081
Certificates of deposit	3,498,482
	19,739,855
Restricted:	
Certificates of deposit	165,000
	165,000
Total cash and investments	\$ 33,785,592

1. Investments Authorized by the District's Investment Policy

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

Authorized Investment Type	Maximum Maturity	Maximum % of Portfolio	Maximum in One Issue
U.S. Treasury obligations	5 years	None	None
Federal agency and instrumentalities			
Callable	5 years	25%	None
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%
LAIF	N/A	None	None
CAMP	N/A	None	None
Money market funds	N/A	20%	10%
El Dorado County pool	N/A	None	None

South Tahoe Public Utility District

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE B - CASH AND INVESTMENTS - Continued

2. Interest Rate Risk

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

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

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

Investment Type	Investment Maturities (in years)			
	Fair Value	Less than 1	1-2	3-5
Cash and deposits	\$ 5,232,692	\$ 2,894,666	\$ 1,938,249	\$ 399,777
Pooled investment funds	12,311,527	12,311,527	-	-
Agency notes	9,839,621	-	1,979,578	7,860,043
Corporate notes	5,786,710	1,340,855	2,247,098	2,198,757
Commercial paper	499,961	499,961	-	-
Municipal notes	115,081	-	115,081	-
	<u>\$ 33,785,592</u>	<u>\$ 17,047,009</u>	<u>\$ 6,280,006</u>	<u>\$ 10,458,577</u>

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

3. Credit Risk

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

Investment Type	Rating as of Year End									
	AAA	AA+	AA	AA-	A-1+	A-1	A+	A	A-	Not Rated
Cash and deposits	\$ -	\$ -	\$ -	\$1,598,867	\$200,125	\$1,299,553	\$399,937	\$ -	\$ -	\$14,045,737
Pooled investment funds	-	-	-	-	-	-	-	-	-	-
Agency notes	-	9,839,621	-	-	-	-	-	-	-	-
Corporate notes	399,675	793,309	826,693	765,114	-	-	1,827,015	1,024,415	150,489	-
Commercial paper	-	-	-	-	-	499,961	-	-	-	-
Municipal notes	-	-	-	-	-	-	-	-	-	115,081
	<u>\$399,675</u>	<u>\$10,632,930</u>	<u>\$826,693</u>	<u>\$2,363,981</u>	<u>\$200,125</u>	<u>\$1,799,514</u>	<u>\$2,226,952</u>	<u>\$1,024,415</u>	<u>\$150,489</u>	<u>\$14,160,818</u>

South Tahoe Public Utility District

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE B - CASH AND INVESTMENTS - Continued

4. Concentration Risk

Concentration risk is the risk of loss attributed to the magnitude of an investor's investment in a single issuer. To limit concentration risk, the District places a 10% limit on investments in any one non-governmental issuer. Investments exceeding 5% of the total investments, excluding external investment pools, is U.S. Treasury 26%.

5. Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the depositor will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The District's Investment Policy requires the financial institution to either collateralize the deposits or cover them with Federal deposit insurance. The District's cash and deposits, totaling \$975,227 as of June 30, 2015, in financial institutions are secured by federal depository insurance for \$415,000 with the remainder covered by collateral held by an agent of the pledging bank in the District's name.

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

6. Pooled Investment Funds

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

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

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

Because the District's deposits are maintained in recognized pooled investment funds under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits is required. The District's deposits in the Funds are considered to be highly liquid. The El Dorado County Treasurer, LAIF, and CAMP representatives have indicated there are no derivatives in the pools as of June 2015. LAIF does invest in structured notes and asset-based securities.

South Tahoe Public Utility District
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
June 30, 2015

NOTE C - CAPITAL ASSETS

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

	July 1, 2014	Additions	Deletions	June 30, 2015
<u>Capital assets not being depreciated:</u>				
Land and easement	\$ 24,745,627	\$ -	\$ -	\$ 24,745,627
Water rights	1,668,308	-	-	1,668,308
Construction in progress	12,409,288	4,055,939	(4,547,995)	11,917,232
Total capital assets not being depreciated	38,823,223	4,055,939	(4,547,995)	38,331,167
<u>Capital assets being depreciated:</u>				
Plant and equipment	287,645,651	9,260,941	(562,755)	296,343,837
Less: Accumulated depreciation	(122,569,787)	(7,405,554)	559,251	(129,416,090)
Total capital assets being depreciated, net	165,075,864	1,855,387	(3,504)	166,927,747
Capital assets, net	\$203,899,087	\$ 5,911,328	\$ (4,551,499)	\$205,258,914

Depreciation expense for the year ended June 30, 2015 totaled \$7,405,554.

Construction in progress as of June 30, 2015 consisted of the following:

Aeration basin	\$ 82,553
Alpine County Master Plan	1,295,525
BMP projects, sewer	172,914
BMP projects, water	201,374
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	1,560,682
DVR nutrient management	84,867
Erosion control - various	112,906
Fallon Leaf Lake upgrades	197,853
Luther Pass Pump Station power controls	625,661
Meters project	3,035,449
Primary clarifiers rehab	223,154
Tallac Creek sewer crossing	25,771
Trout Creek restoration	1,002,232
Water system optimization plan	484,518
Waterline evaluations	96,054
Waterline replacement, Bower	46,012
Wildwood interceptor	294,168
Other	114,791
	<u>\$ 11,917,232</u>

South Tahoe Public Utility District

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE D - ACCOUNTS RECEIVABLE AND AMOUNT DUE FROM GOVERNMENTAL AGENCIES

Short-term receivable at June 30, 2015 consists of the following:

	Sewer	Water
Customer receivables	\$ 268,694	\$ 522,928
Due from Federal Government	-	224,350
Due from State Government	28,129	1,038,802
Due from El Dorado County	-	151,219
Other receivables	54,454	1,160,483
	351,277	3,097,782
Allowance for doubtful accounts	(47,969)	(36,280)
Accounts receivable, net of allowance	\$ 303,308	\$ 3,061,502

Long-term receivable at June 30, 2015 consists of the following:

	Sewer	Water
Other receivables	\$ 471,426	\$ -
Due from State Government	73,020	73,020
	544,446	73,020
Allowance for doubtful accounts	(20,000)	(20,000)
Accounts receivable, net of allowance	\$ 524,446	\$ 53,020

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

South Tahoe Public Utility District
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
June 30, 2015

NOTE E - CHANGES IN LONG-TERM LIABILITIES

During the year ended June 30, 2015, the following changes occurred in long-term liabilities:

	July 1, 2014	Additions	(Deletions)	June 30, 2015
<u>Long-term liabilities:</u>				
SRF Luther Pass Pump Station	\$ 2,279,429	\$ -	\$ (107,429)	\$ 2,172,000
SRF Headworks	874,497	-	(35,831)	838,666
SRF Emergency Retention Basin	1,213,772	-	(53,257)	1,160,515
11 Sewer Installment Agreement	5,943,222	-	(247,847)	5,695,375
12 Sewer Refunding	9,422,843	-	(803,125)	8,619,718
13 Sewer Refunding	7,860,642	-	(497,508)	7,363,134
13 Water Refunding	8,369,183	-	(1,099,223)	7,269,960
SRF Meters Phase 1	-	2,325,036	-	2,325,036
Total debt	<u>\$ 35,963,588</u>	<u>\$ 2,325,036</u>	<u>\$ (2,844,220)</u>	<u>\$35,444,404</u>
Current debt	<u>\$ 2,844,219</u>			<u>\$ 2,437,446</u>
Long-term debt	<u>\$ 33,119,369</u>			<u>\$33,006,958</u>
Compensated absences	<u>\$ 3,124,623</u>	<u>\$ 1,514,095</u>	<u>\$ (1,538,879)</u>	<u>\$ 3,099,839</u>
Current portion	<u>\$ 1,068,994</u>			<u>\$ 1,161,600</u>
Long-term portion	<u>\$ 2,055,629</u>			<u>\$ 1,938,239</u>

At June 30, 2015, the long-term liabilities are as follows:

	June 30, 2015	Due Within One Year	Long-Term
<u>Long-term liabilities:</u>			
SRF Luther Pass Pump Station	\$ 2,172,000	\$ 110,329	\$ 2,061,671
SRF Headworks	838,666	36,798	801,868
SRF Emergency Retention Basin	1,160,515	54,695	1,105,820
11 Sewer Installment Agreement	5,695,375	256,976	5,438,399
12 Sewer Refunding	8,619,717	821,703	7,798,014
13 Sewer Refunding	7,363,134	509,822	6,853,312
13 Water Refunding	7,269,961	608,372	6,661,589
SRF Meters Phase I	2,325,036	38,751	2,286,285
Total long-term liabilities	<u>\$ 35,444,404</u>	<u>\$ 2,437,446</u>	<u>\$ 33,006,958</u>
Compensated absences	<u>\$ 3,099,839</u>	<u>\$ 1,161,600</u>	<u>\$ 1,938,239</u>

South Tahoe Public Utility District

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE F - LONG-TERM DEBT

Long-term debt at June 30, 2015 consists of the following:

<p>2013 Water Installment Sale Agreement with BBVA Compass Bank, secured by a first lien against all water revenues, due January 30, 2030, payable \$895,138 semi-annually, including interest at 2.27%. The original amount of the debt was \$10,000,000 and was used for construction of water infrastructure improvements and was also used to repay the 2001 Water Refunding and 1999 Installment Sale Agreement, both of which funded water infrastructure improvements. For the year ended June 30, 2015, principal and interest payments accounted for 10.9% of total water revenues.</p>	\$ 7,269,960
<p>2011 California State Water Resources Control Board Revolving Fund loan secured by a first lien against all sewer revenues, due October 15, 2030, payable \$168,973 annually, including interest at 2.7%. The original amount of the debt was \$2,485,968 and was used for construction of the Luther Pass Pump Station Generator Replacement project. For the year ended June 30, 2015, principal and interest payments accounted for .8% of total water revenues.</p>	2,172,000
<p>2011 California State Water Resources Control Board Revolving Fund loan secured by a first lien against all sewer revenues, due October 15, 2032, payable \$59,442 annually, including interest at 2.7%. The original amount of the debt was \$909,386 and was used for construction of the Headworks Replacement project. For the year ended June 30, 2015, principal and interest payments accounted for .3% of total water revenues.</p>	838,666
<p>2011 California State Water Resources Control Board Revolving Fund loan secured by a first lien against all sewer revenues, due October 15, 2031, payable \$86,029 annually, including interest at 2.7%. The original amount of the debt was \$1,344,698 and was used for construction of the Emergency Retention Basin Liner project. For the year ended June 30, 2015, principal and interest payments accounted for .4% of total water revenues.</p>	1,160,515
<p>2011 Sewer Installment Sale Agreement with BBVA Compass Bank, secured by a first lien against all sewer revenues, due August 1, 2031, payable \$231,267 semi-annually, including interest at 3.65%. The original amount of the debt was \$6,525,000 and was used for construction of sewer infrastructure improvements. For the year ended June 30, 2015, principal and interest payments accounted for 2.3% of total water revenues.</p>	5,695,375
<p>2013 Sewer Installment Sale Agreement with BBVA Compass Bank, secured by a first lien against all sewer revenues, due August 1, 2027, payable \$343,919 semi-annually, including interest at 2.46%. The original amount of the debt was \$8,400,000 and was used to repay the 2007 Sewer Installment Sale Agreement, which funded sewer infrastructure improvements. For the year ended June 30, 2015, principal and interest payments accounted for 3.4% of total water revenues.</p>	7,363,134
<p>2012 Sewer Installment Sale Agreement with BBVA Compass Bank, secured by a first lien against all sewer revenues, due September 1, 2024, payable \$507,630 semi-annually, including interest at 2.3%. The original amount of the debt was \$10,605,000 and was used for construction of sewer infrastructure improvements and was also used to repay the 2004 Sewer Revenue Certificates of Participation, which funded sewer infrastructure improvements. For the year ended June 30, 2015, principal and interest payments accounted for 5.0% of total water revenues.</p>	8,619,718
<p>2014 California State Water Resources Control Board Revolving Fund loan secured by a first lien against all water revenues, due January 1, 2047, payable \$38,750.60 semi-annually, including interest of 0%. The original amount of the debt was \$2,325,036 and was used for installation of water meters. For the year ended June 30, 2015, interest payments accounted for 0% of the total water revenues.</p>	2,325,036
	35,444,404
Less: Current principal maturities	(2,437,446)
Total long-term notes payable	\$ 33,006,958

South Tahoe Public Utility District

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE F - LONG-TERM DEBT - Continued

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

Years ending June 30,	Principal	Interest	Total
2016	\$ 2,437,446	\$ 851,347	\$ 3,288,793
2017	2,536,626	790,918	3,327,544
2018	2,598,620	728,924	3,327,544
2019	2,662,221	665,322	3,327,543
2020	2,580,274	600,071	3,180,345
2021-2025	12,602,349	2,055,760	14,658,109
2026-2030	7,657,397	712,450	8,369,847
2031-2047	2,369,471	44,955	2,414,426
	<u>\$ 35,444,404</u>	<u>\$ 6,449,747</u>	<u>\$ 41,894,151</u>

Interest charged on debt, including amounts capitalized totaling \$110,285 for the year ended June 30, 2015 was \$881,001.

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, 2015.

NOTE G - PENSION PLAN

1. General Information about the Plans

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

All qualified permanent and probationary employees are eligible to participate in the Miscellaneous Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by CalPERS. Benefit provisions under the Plans are established by State statute and Local Government resolution. CalPERS issues publically available reports that include a full description of the pension plans regarding benefit provisions, assumptions, membership information, and Comprehensive Annual Financial Reports can be found on the CalPERS website (www.calpers.ca.gov).

CalPERS provides 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. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees Retirement Law.

South Tahoe Public Utility District

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE G - PENSION PLAN - Continued

1. General Information about the Plans - Continued

The Plans provisions and benefits in effect at June 30, 2015, are summarized as follows:

<u>Hire Date</u>	<u>Prior to January 1,2013</u>	<u>On or after January 1, 2013</u>
Benefit amount	2.7% @ 55	2.0% @ 62
Benefit vesting schedule	5 years' service	5 years' service
Benefit payments	Monthly for life	Monthly for life
Required employee contribution	8.0%	6.25%
Required employer contribution	17.314%	6.25%
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%

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 the 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. For the year ended June 30, 2015, the contributions recognized as part of pension expense for the Plan were as follows:

Contributions – employer	\$ 1,516,067
Contributions – employee (paid by employer)	28,907

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

As of June 30, 2015, the District reported net pension liabilities for its proportionate share of net pension liability of the Plans as follows:

<u>Reconciliation of net pension liability:</u>	
Beginning net pension, July 1, 2013	\$ 6,171,772
Pension expense	1,054,589
Employer contributions	(1,544,974)
Net new deferred in flows/outflows	<u>263,741</u>
Ending net pension liability June 30, 2014	<u><u>\$ 5,945,128</u></u>

South Tahoe Public Utility District

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE G - PENSION PLAN - Continued

2. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions - Continued

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, 2014, 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, 2013 rolled forward to June 30, 2014 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 for the Plan as of June 30, 2013 and 2014 was as follows:

Proportion – June 30, 2013	.233%
Proportion – June 30, 2014	<u>.241%</u>
 Change – decrease	 <u><u>(.008%)</u></u>

For the year ended June 30, 2015, the District recognized pension expense of \$1,054,990. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date	\$ 1,545,374	\$ -
Adjustment due to differences in proportions	2,435	(287,742)
Difference between employers contribution and employers proportionate share of contributions	-	607,777
Net difference between projected and actual earnings on plan investments	-	(1,604,103)

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,	Deferred Outflows/ (Inflows) of Resources
2015	\$ (502,921)
2016	(502,921)
2017	(482,543)
2018	(401,025)
2019	-
Thereafter	-

South Tahoe Public Utility District

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE G - PENSION PLAN - Continued

2. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions - Continued

Actuarial Assumptions – The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Actuarial cost method	Entry-Age Normal Cost Method
Actuarial assumptions:	
Discount rate	7.5%
Inflation	2.75%
Payroll growth	3.0%
Projected salary increase	3.3% - 14.2% (1)
Investment rate of return	7.5% (2)
Mortality rate table	(3)
Post-retirement benefit increase	0% - 2.75% (4)

- (1) *Depending on age, service and type of employment*
- (2) *Net of pension plan investment expenses, including inflation*
- (3) *Derived using CalPER's membership data for all funds*
- (4) *Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter*

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 – 2011. Further details of the experience study can be found on the CalPERS website.

Discount Rate – The discount rate used to measure the total pension liability was 7.50% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50% 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.

South Tahoe Public Utility District

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE G PENSION PLAN – Continued

2. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions - Continued

According to Paragraph 30 of GASB 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would be 7.65%. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference.

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.

South Tahoe Public Utility District

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE G PENSION PLAN – Continued

2. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions - Continued

The table below reflects the 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.

Asset Class	New Strategic Allocation	Real Return Years 1-10 ^(a)	Real Return Years 11+ ^(b)
Global equity	47.0%	5.25%	5.71%
Global fixed income	19.0%	0.99%	2.43%
Inflation sensitive	6.0%	0.45%	3.36%
Private equity	12.0%	6.83%	6.95%
Real estate	11.0%	4.50%	5.13%
Infrastructure and forestland	3.0%	4.50%	5.09%
Liquidity	2.0%	(0.55%)	(1.05%)
Total	100%		

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

(b) 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:

	1% Decrease	Current	1% Increase
Discount rate	6.50%	7.50%	8.50%
Net pension liability	\$9,831,934	\$5,945,128	\$2,719,448

Pension Plan Fiduciary Net Position – Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

3. Payable to the Pension Plan

At June 30, 2015, the District reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

South Tahoe Public Utility District

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE H - DEFERRED COMPENSATION PLAN

The District offers its employees a deferred compensation plan (the "457 Plan") created in accordance with Internal Revenue Code Section 457. The 457 Plan permits the employees to defer a portion of their salary until future years. A third party administrator maintains deferrals in a trust capacity. The deferred compensation is not available to employees until termination, retirement, death or unforeseen emergency. Participants may elect to contribute, through salary reductions, up to the IRC (g) limit (\$18,000 in 2015 and \$17,500 in 2014).

The 457 Plan assets, totaling \$13,866,042 at June 30, 2015, consist of investments in mutual funds. The assets under the District's 457 Plan are held in trust and are considered protected from the general creditors of the District.

NOTE I - RISK MANAGEMENT

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

NOTE J - COMMITMENTS AND CONTINGENCIES

1. Operating Leases

The District leases a reservoir right of way from the Bureau of Land Management. This lease has no termination date. Annual lease expense is \$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. Annual lease expense is \$83,400. This lease amount is calculated annually by the U.S. Forest Service.

2. Contractual Obligations

At June 30, 2015, the District's significant contractual commitments with outside firms for engineering, construction, consulting, and various other services totaled approximately \$5 million.

At June 30, 2015, the District's management was in negotiations with various contractors regarding change orders for work performed prior to year-end. Management has made estimates for amounts due at year end and has recorded them in accrued liabilities at year end.

3. Contingencies

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

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

South Tahoe Public Utility District

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE K - JOINT POWERS AUTHORITY

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

The following is a summary of the most current unaudited financial information for California Sanitation Risk Management Authority as of June 30, 2015:

Total assets	\$ 34,893,447
Total liabilities	23,890,426
Net assets	11,003,021
Total income	11,330,988
Total expense	11,293,661

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

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

The following is a summary of the most current audited financial information for CAMP Trust as of December 31, 2014 (the most recent information available):

Total assets	\$ 1,793,838,000
Total liabilities	431,000
Net assets	1,793,407,000
Net asset value per share	1
Total income	3,409,000
Total expenses	2,486,000
Net realized gain on sale of investments	55,000
Net increase in net assets resulting from operations	978,000

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

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

South Tahoe Public Utility District

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE L - 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 M - INVESTMENT EARNINGS

Investment earnings consist of the following for the year ended June 30, 2015:

Interest income	\$ 219,363
Realized and unrealized losses	<u>(13,479)</u>
	<u>\$ 205,884</u>

NOTE N - OTHER OPERATING EXPENSES

Other operating expenses are as follows for the year ended June 30, 2015:

Professional services	\$ 1,238,663
Insurance and unreimbursed claims	421,480
Chemical supplies	293,856
Operating permits	386,344
Office expense	215,892
Travel, meetings and education	244,904
Petroleum products	190,600
Research and monitoring	68,181
Miscellaneous expense	<u>864,058</u>
Total other operating expenses	<u>\$ 3,923,978</u>

REQUIRED SUPPLEMENTAL INFORMATION

South Tahoe Public Utility District
COST SHARING DEFINED BENEFIT PENSION PLAN
California Public Employees Retirement System
Last 10 Years*

SCHEDULE OF CONTRIBUTIONS

	June 30, 2014
Contractually required contributions	\$ 1,380,453
Contributions in relation to contractually required contributions	(1,380,453)
Contribution deficiency (excess)	-
District's covered employee payroll	\$ 8,813,523
Contributions as a percentage of covered-employee payroll	15.66%
Contribution rate set by statute	16.20%

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

	June 30, 2015
Proportion of the net pension liability	.09554%
Proportionate share of the net pension liability	\$ 5,945,128
Covered employee payroll	\$ 8,813,523
Proportionate share of the net pension liability as a percentage of covered employee payroll	67.45%
Proportionate share of the fiduciary net position as a percentage of total pension liability	79.71%

**Fiscal year 2015 was the first year of implementation; therefore, only one year is shown.*

OTHER REPORTS REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the South Tahoe Public Utility District (the "District") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 25, 2015.

Internal control over financial reporting

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

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

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

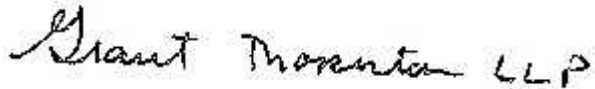
Compliance and other matters

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

compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Intended purpose

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



Reno, Nevada
November 25, 2015

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

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

Report on compliance for each major federal program

We have audited the compliance of South Tahoe Public Utility District (the “District”) with the types of compliance requirements described in the U.S. Office of Management and Budget’s OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015. The District’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s responsibility

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

Auditor’s responsibility

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

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

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

Opinion on each major federal program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Instances of noncompliance

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

Report on internal control over compliance

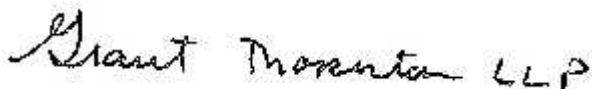
Management of the District is responsible for designing, implementing, and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance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

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

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

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

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



Reno, Nevada
November 25, 2015

South Tahoe Public Utility District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2015

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
<u>Department of Agriculture:</u>			
Lake Tahoe Erosion Control Grants	10.690	11-DG-11051900-025	\$ 19,342
Lake Tahoe Erosion Control Grants	10.690	13-DG-11051900-019	79,661
Cooperative Fire Program	10.664	11-DG-11052012-038	10,348
Cooperative Fire Program	10.664	12-DG-11052012-163	103,305
Cooperative Fire Program	10.664	13-DG-11052012-110	313,240
Cooperative Fire Program	10.664	14-DG-11052012-116	511,301
Safe Drinking Water SRF	66.468	* SRF14C106	<u>1,411,784</u>
Total expenditures of federal awards			<u><u>\$ 2,448,981</u></u>

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

The accompanying notes are an integral part of this statement.

South Tahoe Public Utility District

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2015

NOTE A - REPORTING ENTITY

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

NOTE B - SUBRECIPIENTS

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

<u>CFDA Number</u>	<u>Program Name</u>	<u>Amount Provided to Subrecipients</u>
10.664	Cooperative Fire Program	<u>\$ 726,165</u>

South Tahoe Public Utility District

SCHEDULE OF FINDINGS

June 30, 2015

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor report issued unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
66.468	Drinking Water State Revolving Fund

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

Auditee qualified as low-risk auditee? yes no

South Tahoe Public Utility District
SCHEDULE OF FINDINGS - CONTINUED
June 30, 2015

SECTION II – FINANCIAL STATEMENT FINDINGS

None

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

South Tahoe Public Utility District

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

June 30, 2015

FINDING 2014-001 – Reporting (repeat finding 2013-001)
Department of Agriculture
CFDA 10.664 (Award 10-DG-11022012-090)

Criteria

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

Condition

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

Context

All FFATA reports were filed late.

Questioned Costs

\$0

Effect

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

Cause

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

Recommendation

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

Views of Responsible Officials and Planned Corrective Actions

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

Status

Corrective actions have not been made.