

SOUTH TAHOE PUBLIC UTILITY DISTRICT
COMPREHENSIVE ANNUAL FINANCIAL REPORT

Using **innovation** to **educate** and **conserve**.



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District Awards

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

Employee of the Year



Liz Kauffman,
Human Resources Analyst

Crew of the Year



Electrical Shop

The Electrical Department is responsible for installation, programming, operation, and maintenance of electrical and automation equipment in the treatment plant and other facilities.

Table of Contents

Introductory Section

Letter of Transmittal	1
Certificate of Achievement For Excellence in Financial Reporting	8
Board of Directors / District Officials	9
Organization Chart	10

Financial Section

Report of Independent Certified Public Accountants	11
Management's Discussion and Analysis	13
Basic Financial Statements:	
Statement of Net Position – Proprietary Funds	19
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	21
Statement of Cash Flows – Proprietary Funds	22
Notes to Financial Statements	24
Required Supplemental Information	44

Statistical Section

Statistical Section Objectives	47
Changes in Net Position	48
Net Position by Component	50
Water and Sewer Service Charges – Billings and Collections	51
Annual Sewer and Water Rates	52
Annual Sewer Permits Issued	52
Rate Increase History	52
Annual Service Fee Comparison	53
Ten Largest Customers	54
Sewer and Water Service Charges by Type of Customer	55
Principal Employers	56
Property Tax Assessments and Levies – Sewer Enterprise Fund	57
Property Tax Rates All Direct and Overlapping Governments	57
Principal Property Taxpayers	58
Ratios of Outstanding Debt by Type	59
Pledged - Revenue Coverage	60
Capital Spending	61
Capital Asset Statistics by Function/Program	61
Detail of Capital Spending	62
Wastewater Flows	63
Water Production	64
Demographic Statistics	65
Acknowledgments	66

Strategic Plan

Strategic Plan Vision Statement

Maintain a dynamic organization that can quickly and proactively meet an ever increasing environment of regulations and scarce resources.

Strategic Plan Mission Statement

Furnish District customers with reliable water and wastewater services, and provide those services safely, efficiently, and cost effectively.

Strategic Goals

- Provide exemplary customer service.
- Provide reliable and safe water distribution, wastewater collection and treatment, and recycled water land application systems.
- Foster a culture of efficient water use in the South Lake Tahoe community and promote public awareness of all District activities and the value of District services.
- Develop staff to ensure professionalism and continuity of organizational knowledge.
- Continue to be outstanding financial stewards.
- Provide a safe and harmonious work environment for District employees.
- Maximize appropriate use of technology to improve operational efficiency and prioritize asset replacement.



Using **innovation** to **educate** and **conserve**.



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

October 30, 2018

Directors: The South Tahoe Public Utility District (the District) staff submits to you the Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2018. The CAFR gives an assessment of the District's financial condition, informs readers about District services, gives details of infrastructure replacement projects, discusses current issues, and provides financial and demographic trend information. This letter of transmittal is

designed to complement Management's Discussion and Analysis and should be read in conjunction with it.

Mann, Urrutia, Nelson, Certified Public Accountants, audited the District's financial statements. While the auditor's unmodified Report of Independent Certified Public Accountants appears in the financial section, the responsibility for the accuracy, completeness, and presentation of the CAFR information rests with management. Management believes the CAFR is complete and accurate in all material respects. Management can provide this assurance due to the comprehensive framework of internal controls within the organization. Internal controls are policies and procedures put in place to safeguard assets from misappropriation, to assure management authorizes all transactions, and to verify proper recording and reporting of transactions using Generally

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



District Overview

The South Tahoe Public Utility District, a public agency chartered in 1950, operates at the south shore of Lake Tahoe in El Dorado County. The District supplies drinking water and provides wastewater collection and treatment. The District recycles 100 percent of its



wastewater to Alpine County where its application benefits agricultural land. In addition, the District recycles 100 percent of its biosolids with Bently Agrowdynamics in Douglas County, Nevada. Lake Tahoe's seasonal tourism and the large number of parttime residents cause wide fluctuations in both daily water production and wastewater flows.

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

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

treatment plant dry weather permitted capacity is 7.7 million gallons per day. The design and operation of the wastewater treatment plant makes it possible



to achieve water quality that allows water and biosolids recycling. Each year the plant treats and exports more than 1.6 billion gallons of recycled water that meets high-reuse standards. Under provisions of the 1968 Porter-Cologne Water Quality Control Act, considered to be California's premier water quality legislation, the District transports the recycled water nearly 26 miles out of the Tahoe Basin to the District-owned and operated Harvey Place Dam and Reservoir. The recycled water facilities, known as the Diamond Valley Ranch (DVR), are near Woodfords, California, in neighboring Alpine County.

The District's state-certified laboratory performs more than 30,000 tests annually to monitor a variety of chemicals and microorganisms in the drinking water, wastewater treatment, and re-

cycled water export systems. These tests on groundwater, surface water, and soils safeguard District customers and the environment.

Water is vital to our community. As part of providing a high-level of customer service, the District diligently alerts and educates customers on matters affecting their water supply and water quality. The District prepares an annual Consumer Confidence Report (CCR) that easily explains critical drinking water information. Current and past CCR's are available on the District's web site at www.stpud.us.

Providing Reliable Services During The Toughest Conditions

If you take a tour of the District's water and sewer facilities, you will notice evidence of decades of technological progress around you. From the wells installed in the early 1960s, to the water mains running through pipes underground, to the advanced wastewater treatment plant, it's all just a part of day-to-day-life. Though most of us don't see it, getting to this point has taken years of innovation, iteration, and trial and error. In 2018, the District bypassed the typical technological evolution process and skipped over now-obsolete technologies and went straight to mod-

ern fixes with Advanced Metering Infrastructure (AMI). As a bonus, AMI happens to save considerable time, money, and water. AMI is an integrated system of smart meters, communication networks and data management systems that enables two-way communication between utilities and customers. So, how does it all work?

Smart Meters In 2004, California Governor Schwarzenegger signed a law requiring all water services to be billed at a metered rate, so that water bills reflect water consumption. The District has been installing water meters over the last eight years to comply with the law and expects to be fully metered by 2021. Recognizing that 14,000 meters would take an enormous amount of work to manually read, the District



chose to disregard traditional meters and is installing smart meters throughout our community. A smart meter records hourly water consumption and is able to communicate this information back

to the District every four hours. This brings down operating costs, as staff is no longer required to perform manual reads. It also enables more frequent and accurate meter reading, allowing the District to understand water use system-wide and quickly identify leaks.

Antennas Living in the Sierra Nevada mountains has many perks, but the wide range of topography makes consistent reception challenging. As such, the District installed five antennas throughout town to read the meters. By



installing antennas, the District receives water use information from the smart meters every four hours. This real time data improves the reliability of our water system. It also allows staff to read meters from the office anytime a home is sold or a customer is concerned about a broken pipe or hidden leak.

WaterSmart Not only can the District view system-wide water use, every customer is now able to sign up for a free, online tool called WaterSmart.

WaterSmart allows customers to view their water usage, set up usage notifications, and troubleshoot problems before faced with a high bill. Each resident's data can be customized, taking into account information such as yard size, the number of toilets, and number of residents. Residents can view past usage and estimated future usage, and compare their water use to neighbors with similar property types and features. Since the launch of WaterSmart more than 1,200 customers have been notified of leaks, mainly due to leaky toilet flaps, a broken valve on the irrigation system, or a shut-off valve that hasn't been fully opened or closed. Customers have taken easy steps to fix the problem and more than 13 million gallons of water was saved this summer. By not only installing smart meters and antennas, but also an online customer portal, the District is using state of the art technology to conserve our most precious natural resource.

Grant Funding The District successfully secured \$400,000 in grant funds to revolutionize our water system. The Bureau of Reclamation awarded \$300,000 and El Dorado County Water Agency awarded \$100,000 in grant funds, which fully funded the implementation of the District's AMI antenna

hardware and software and also funded the user friendly WaterSmart portal.

In the last ten years the District has transitioned from only knowing how



much water was being pumped out of the well to now being able to look at system-wide water use and detect a leak, even as small as a seven gallon per hour leaky toilet flap. By leapfrogging old meter infrastructure, the District is now at the cutting edge of efficient water management, saving our community money and water.

Local Economic Conditions

Lake Tahoe is continually recognized as a very popular summer and winter vacation destination in the United States. In 2014 USA Today ranked Tahoe South as the number one ski destination, and Expedia Viewfinder calls Lake Tahoe one of the world's most breathtaking destinations. Even with a less than normal snowpack, according to Denver based STR, ski towns in

2018 had record high hotel occupancy rates with a 2% increase year-over-year. Due to the positive statistics noted above, through September 30,



2017, the end of their fiscal year, the City of South Lake Tahoe reported an increase of 6.8% in Transient Occupancy Tax and an increase of 2.2% in sales tax compared to September 30, 2016, collections.

Local development in fiscal year 2017/18 was productive with the start or completion of residential and commercial development. Two condominium projects were developed in the District's service area. Gondola Vista Estates is a 20 unit project and Wildwood Commons is a 23 unit project. Development of a Whole Foods Market store and other retail shops began in 2017/18 and is expected to be complete in the spring of 2019. In 2017 a welcomed renovation of the factory stores at the "Y", now known as The Crossing, was complete. The

renovation enticed new retailers and restaurants to occupy this previously mostly vacant retail space. Additional retailers continued to open up shops in this development during 2017/18. The brewery industry has become very popular in the community with two additional openings this year, The Hanger and South Lake Brewing.

The real estate market in South Lake Tahoe continued to increase this year, which paralleled the California real estate trend. The median single family home price in June 2018 was \$572,000, up from \$439,500 in 2017 or 30.1%. This is good news for sellers, but Tahoe locals with a median household income of approximately \$41,000 are being priced out of the market. A lack of affordable housing, for purchase or rent, is an obstacle for the Tahoe workforce. Employers are having difficulty filling open positions because employees cannot find a place to live in the area.

At year end, the unemployment rate in South Lake Tahoe was 4.3%, down from 5.4% a year ago and 10.0% four years ago. The California and U.S. unemployment rates in June 2018 were 3.8% (record low) and 3.9% respectively. Due to strong District management, wise Board of Directors'

decisions, cost-conscious staff, and a strong pursuit of grant funding and low-cost financing, the District has remained financially strong and stable.

Enterprise Operations

The District finances water and sewer operations through user charges, property tax receipts, and other income. District service charge revenue is stable, since approximately 32% of customers still pay flat rates for sewer and water



services. Also, the District's metered water rates are structured with an 80% fixed component and 20% variable component. This structure nearly represents the District's actual fixed and variable cost structure. Water consumption revenues currently represent only 8.0% of the District's 2018 combined water and sewer service charge revenue and 5.0% of total revenues; therefore, fluctuations in actual usage do not materially impact operating income. Water consumption fees will become a larger po-

tion of the District's revenues over the next three years as the District continues to install meters to comply with the state mandate requiring water systems to be completely metered by 2025.

Each year the District updates its Ten-Year Financial Plan to assess its long-term financial condition. A primary goal in carefully developing long-term financial plans is to minimize annual rate changes and to avert large rate fluctuations. On July 1, 2014, 2015, 2016 and 2017, water rates were increased 6.5% while sewer rates were increased 6%. Fiscal year 2017/18 represented year four of a five-year rate implementation schedule. The Board of Directors adopted an ordinance with a five-year rate increase schedule, but an-



nually the rates for each year require confirmation by the Board. The Board did confirm the rates from year five of the schedule effective July 1, 2018. Past studies have shown 38% of the District's sewer rates support the District's

unique environmental mandate to export wastewater out of the Tahoe basin. Despite this heavy financial burden, District



rates are comparable to average rates statewide and continue to be at or near the lowest in the Tahoe Basin.

The rate increases mentioned above are being used to fund a \$100 million capital improvement plan. Utilizing rate increases, grant funds, and low-interest state loans will allow the District to continue replacing critical infrastructure vital to providing safe and quality water and sewer services the ratepayers expect. For the last few years, sewer capacity and connection fees received were greater than budget expectations due to an increased level in residential and commercial development. Although fees recognized for residential connections were greater than expected, the District is forecasting cautiously. Due to a limited number of vacant lots, many developers are razing older homes and constructing new ones

on the same lot. These developments require no, or little, additional water or sewer capacity. During the last two years, the Board of Directors reduced the capacity charges twice for new or increased sewer service in total by nearly 50% hoping to attract affordable housing and other development to the area.

The District has been able to move forward with several capital projects due to the infrastructure specific rate increases, receipt of grant funds, state program loans, and low tax exempt interest rates on borrowed funds. An active grant-seeking program is in place to bring in additional resources for both infrastructure and operations. In fiscal year 2018, the District recognized more than \$.9 million in grant funding following more than \$1.0 million in 2017 and approximately \$.7 million in fiscal year 2016. During the year more than \$11 million was invested in water and sewer infrastructure and equipment. To further enhance the infrastructure planning process, the District is using advanced asset management practices, condition assessments, master plans, and probability factors. This information allows the District to predict asset failure and establishes optimal replacement schedules to achieve service goals.

Careful stewardship of financial

resources, along with a focus on long-term financial planning, provides the District with a firm financial base. The District has shown its financial abilities in capably responding to the opera-



tional requirements of the water and sewer systems while responsibly investing in infrastructure replacement. The Board of Directors' policies carefully coordinate grant funding, reasonable rate increases, and prudent borrowing to meet the District's mission.

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

Public Outreach

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

The District's website, which continues to be updated to be more in-

formative, interactive, and easier to use, provides information about all of STPUD's activities. Archived documents are also available there. The website can be found at www.stpud.us.

Tours of the wastewater treatment plant are held periodically for groups of school children and members of the public. These tours give background and insight into the challenges and costs of treating wastewater to comply with stringent federal, state, and local regulations.

District staff regularly gives presentations to civic groups, service organizations, and governing bodies of the public agencies on District priorities and financial condition. District staff also engages the public on specific capital improvement projects or other topics through television and radio media, neighborhood meetings, door hanger notices, and written notices.

Last year the District once again received from the California Special District Association a Certificate of Achievement in Transparency for its public outreach efforts. In addition, the District received The Certificate of Achievement for Excellence in Financial Reporting for the Comprehensive Annual Financial Report fiscal year ended June 30, 2017. The District has re-

ceived this award for 23 consecutive years. Last year the Municipal Information Systems Association of California also recognized the District's Information Technology Department with its Excellence in IT Practice Award for the fifth time. The District has applied for, and expects to receive this award again during fiscal year 2018/19.

Budgetary Controls

District staff works with the Board of Directors' Finance Committee to develop the annual budget. Staff presents the budget at public meetings before Board adoption. The budget serves as



a management tool to set appropriate service rates and allocate available resources. Budgetary controls are set at the fund level.

Looking Forward To The Future

Advances in technology are expected to benefit the District and its customers in multiple ways. The electronic meter reading system described earlier will

provide the District and its customers real time water use information to assist with conservation through leak detection and customer usage monitoring. Reducing water loss from leaks reduces overall water production, which reduces pumping energy costs.

Last year the District purchased a new TV truck with a state of the art high speed camera system. This equipment is used to digitally record the interior of the hundreds of miles of sewer collection lines in the District's service area. The recorded data is used to determine the condition of the sewer lines, and each line is given a certain grade based on its condition. This information is used to properly schedule repairs or replacements before an emergency occurs. Addressing sewer line issues before they become an emergency is much less expensive which is a direct benefit to our customers. The District is also experimenting with completely untethered cameras that can flow through sections of sewer force mains to help assess their condition.

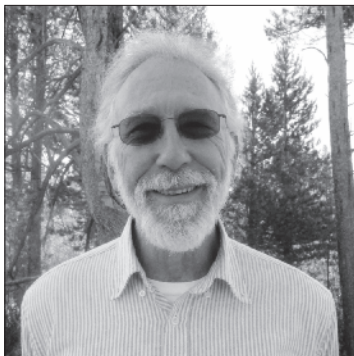
Using technology to help save the District customers money will continue to be a top priority of the District in the future as we develop long term capital improvement plans and ask our customers to pay for them through in-

creased rates. The south shore of Lake Tahoe is a tourist area supported by the hospitality industry. Unfortunately, many of the jobs in this industry are



low paying which has created a large low income population. The District Board of Directors is well aware of this and has kept the District's combined water and sewer rates the lowest in the Lake Tahoe basin.

Sincerely,



Richard H. Solbrig
Richard H. Solbrig,
General Manager



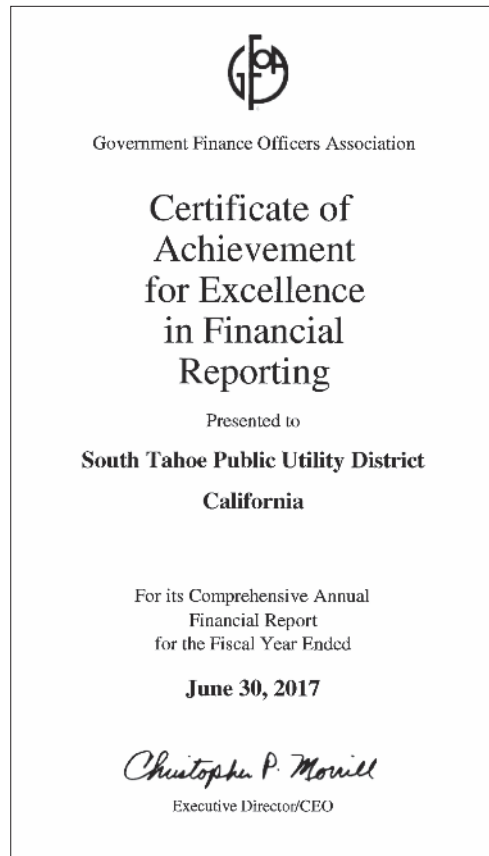
Paul Hughes
Paul Hughes,
Chief Financial Officer

District Honors

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to South Tahoe Public Utility District for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2017. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. Management believes our current report continues to conform to the Certificate of Achievement program requirements.



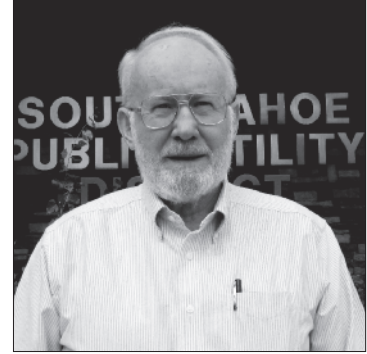
Board of Directors



Randy Vogelgesang, President
2011 - 2020



Kelly Sheehan, Vice President
2011 - 2020



Jim Jones
1977 - 1989, 1993 - 2018



Chris Cefalu
2009 - 2018



Duanne Wallace
1991 - 2007, 2014 - 2018

District Officials

Ivo Bergsohn,
Hydrogeologist

Tim Bledsoe,
Customer Service Manager

Linda Brown,
Purchasing Agent

Stephen Caswell,
Senior Engineer

Trevor Coolidge,
Associate Engineer

Shannon Cotulla,
Assistant General
Manager/Engineer

Chris Stanley,
Manager of Field Operations

Melonie Guttry,
Executive Services Manager

Debbie Henderson,
Accounting Manager

Jim Hilton,
Water Reuse Manager

Paul Hughes,
Chief Financial Officer

Nancy Hussmann,
Human Resources Director

Jeff Lee,
Manager of Plant Operations

Chris Skelly,
Information Technology Manager

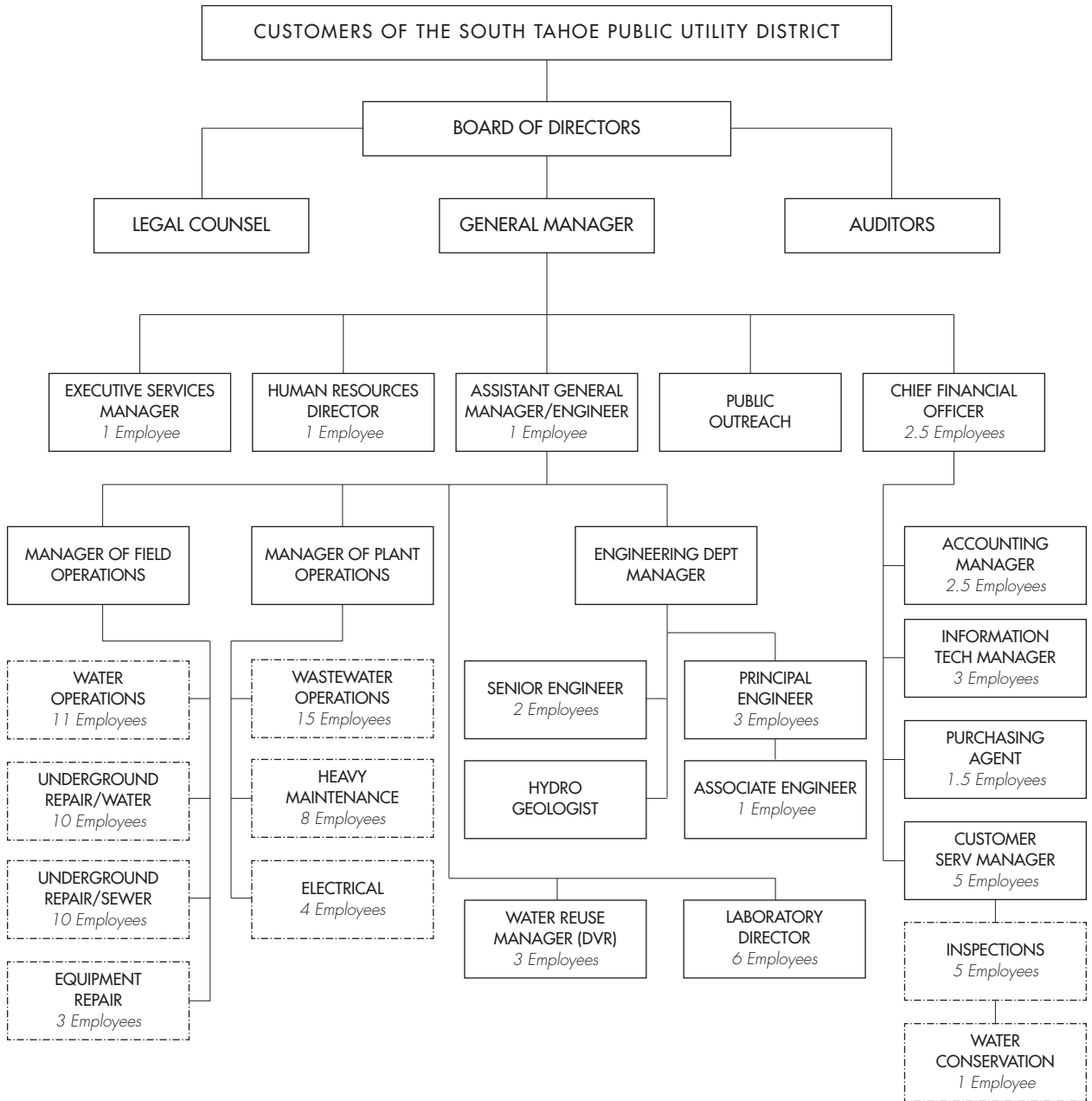
Dan Arce,
Laboratory Director

Julie Ryan,
Principal Engineer

Richard H. Solbrig,
General Manager

John Thiel,
Engineering Department Manager

Organization Chart



Legend

Manager	Dept-direct report to Mgr	Employee = Union Staff
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Using **innovation** to **educate** and **conserve**.





INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of South Tahoe Public Utility District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of South Tahoe Public Utility District, as of June 30, 2018, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, during the fiscal year ending June 30, 2018, South Tahoe Public Utility District adopted new accounting guidance, GASB Statement 85, Omnibus 2017. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Report on 2017 Summarized Comparative Information

We have previously audited the District's 2017 basic financial statements (not presented herein), and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 19, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 30, 2018, on our consideration of South Tahoe Public Utility District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering South Tahoe Public Utility District's internal control over financial reporting and compliance.



Sacramento, California
October 30, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended June 30, 2018

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 \$87 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 2017-18, the District invested nearly \$8.3 million in water infrastructure.

Approximately 10% of the water distribution system is undersized and does not provide appropriate fire protection. The waterline, pumping, and storage replacement program improves water quality, quantity, and fire suppression capabilities. As a public service, each waterline project also includes installation of fire hydrants at 500-foot intervals. During fiscal year 2017-18, the District spent \$.9 million on fire hydrant installations.

The District is continuing to install water meters on all service connections to meet the California state mandate, which requires all water providers with greater than 3,000 service connections be completely metered by 2025. During fiscal year 2010-11, the District began by completing installation of approximately 2,500 meters funded with a \$4.4 million grant. Through the end of 2017-18, approximately 7,400 additional meters have been installed. These additional installations increased the portion of the water system metered to approximately 68%. The amount spent on meter installations in fiscal year 2017-18 was \$5.1 million. The remaining unmetered service connections will have meters installed within the next three years and will be funded with a low-cost \$14 million loan secured through the California State Water Resources Control Board. The loan has a thirty-year term with an interest rate of 1.8% and includes \$4 million in principle forgiveness.

The Sewer Enterprise Fund also continues investing in its infrastructure. In fiscal year 2017-18, \$3.4 million was invested in sewer infrastructure improvements. Two significant projects which began during the year are replacement of the aged wastewater treatment plant emergency generator and rehabilitation of the big-five sewer pump stations. Completion of these projects will greatly improve the long term reliability of the sewer systems. These projects are being funded with low cost loans through the California State Water Resources Control Board.

- During the year more than \$11 million was invested in sewer and water infrastructure and equipment.
- Net position of the District increased \$2.5 million or 1.2%.
- The Sewer and Water Enterprise Funds' income is \$2,010,139 and \$444,670, respectively.
- Operating revenue is up 7.3% due to an increase in service charge rates and water consumption.
- Operating expenses less depreciation are up 7.0%, but came in 1.1% under budget.
- In fiscal year 2017-18, the District was awarded competitive grants totaling more than \$.6 million, following more than \$.6 million awarded in 2016-17 and \$.7 million awarded in 2015-16. These grants will fund, among other things, waterline replacements, water pumping facilities, and water conservation programs.

MANAGEMENT'S DISCUSSION AND ANALYSIS - continued
For the year ended June 30, 2018

Overview of the Basic Financial Statements

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

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

Net Position

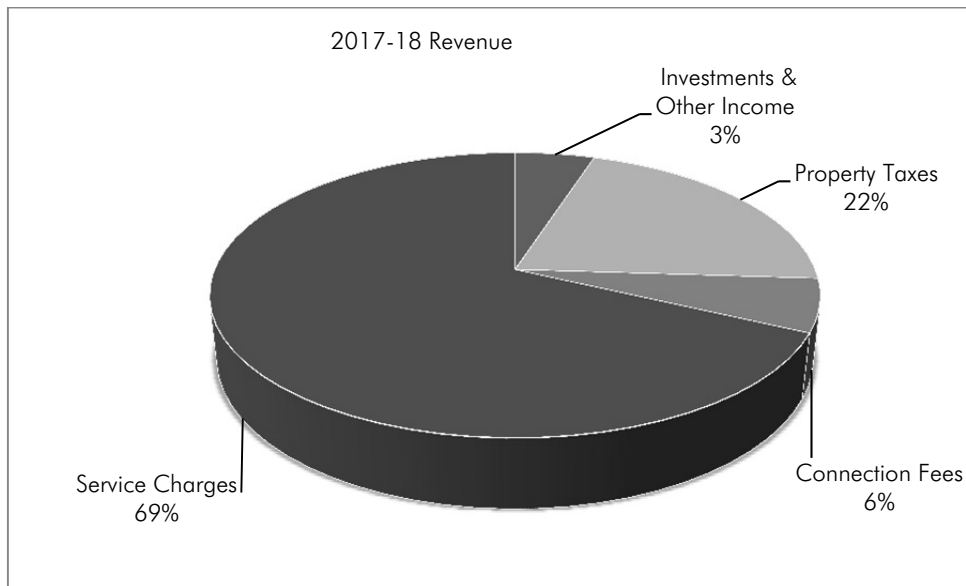
The condensed Statement of Net Position below shows the District is investing in capital assets while keeping its debt at manageable levels. For the year ended June 30, 2015, the District was required to implement GASB 68, Accounting and Financial Reporting for Pensions. Under the new GASB standards, each participating cost-sharing employer is required to report its actuarially determined proportionate share of the collective net pension liability, pension expense, and deferred outflows/deferred inflows of resources in their financial statements determined in conformity with GASB 68. Previously to GASB 68, the District was only required to report the actual payments submitted to the pension plan as an expense and no liability or deferred inflows/deferred outflows. The net pension liability reported in the Statement of Net Position for years ended June 30, 2018 and 2017 was \$10.1 million and \$8.6 million respectively. For more information on the District's pension plan, see Note 9 of the Notes to the Financial Statements.

	<u>Net Position</u> (in thousands)			
	<u>June 30</u>			
	<u>2018</u>	<u>2017</u>	<u>Change</u>	<u>Change</u>
Current and other	\$ 59,989	\$ 50,991	\$ 8,998	17.6%
Capital assets	222,939	216,615	6,324	2.9%
Total assets	<u>\$282,928</u>	<u>\$267,606</u>	<u>\$15,322</u>	<u>5.7%</u>
Deferred outflows of resources	\$5,293	\$5,543	(\$250)	(4.5%)
Debt outstanding	\$ 53,223	\$ 42,296	\$10,927	25.8%
Net Pension Liability	10,140	8,640	1,500	17.4%
Other liabilities	12,638	12,477	161	1.3%
Total liabilities	<u>\$ 76,001</u>	<u>\$ 63,413</u>	<u>\$ 12,588</u>	<u>19.9%</u>
Deferred inflows of resources	\$8,396	\$8,368	\$28	.3%
Net investment in capital assets	\$167,524	\$172,100	(\$4,576)	(2.7%)
Restricted for security deposits	165	165	0	0.0%
Restricted for capital asset purchases	3,000	3,000	0	0.0%
Restricted for debt service payment	5,904	1,117	4,787	428.6%
Unrestricted	27,230	24,987	2,243	9.0%
Total net position	<u>\$203,823</u>	<u>\$201,369</u>	<u>\$2,454</u>	<u>1.2%</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS - continued
For the year ended June 30, 2018

Revenue and Expenses

The District finances sewer and water operations through user charges, property tax receipts, and other income. Total revenue for fiscal year 2017-18 is \$37.2 million, a \$2.0 million or 5.8% increase from the prior year. The 2018 service charge revenue is up from the prior year, reflecting a 6.0% increase in sewer rates, a 6.5% increase in water rates and an increase in water consumed. Connection fees are up \$.2 million or 13.4% reflecting to a slight increase in both commercial and residential development. Property tax revenue is up by \$.5 million or 6.6%, compared to the prior year reflecting an increase in property assessed values. El Dorado County estimates that gross property tax collections will be up approximately 6.2 % for 2018-19. Investment income is up 53% due to a rising interest rate environment, while other income is down compared to the prior year due to the timing of grant receipts and FEMA reimbursements.



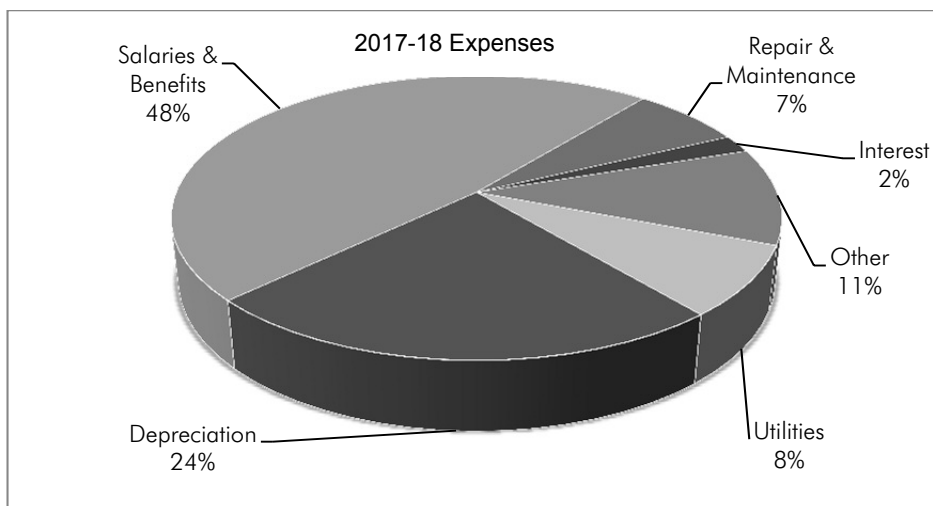
Revenues
(in thousands)

	June 30		Change	Change
	2018	2017		
Service charges	\$25,651	\$24,054	\$ 1,597	6.6%
Connection fees	2,049	1,807	242	13.4%
Other	423	344	79	23.0%
Total operating revenue	<u>28,123</u>	<u>26,205</u>	<u>1,918</u>	<u>7.3%</u>
Property taxes	7,989	7,492	497	6.6%
Investments	238	156	82	52.6%
Other	801	1,275	(474)	(37.2%)
Total non-operating revenue	<u>9,028</u>	<u>8,923</u>	<u>105</u>	<u>1.2%</u>
Total revenue	<u>\$37,151</u>	<u>\$35,128</u>	<u>\$ 2,023</u>	<u>5.8%</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS - continued
For the year ended June 30, 2018

Revenue and Expenses - Continued

Total operating expenses for the current year are \$34.3 million, up \$2.4 million from the prior year. The combined salaries and benefits are up \$2.2 million or 15.1%. The year-over-year change of the required GASB 68 adjustment to pension expense accounted for \$1.5 million of the \$2.2 million increase. The District's policy is to capitalize labor associated with capital projects. The capitalized portion of salaries and benefits is not accounted for in operating expenses, as it is included in capital assets on the Statement of Net Position. The amount of capitalized labor for fiscal year 2018 was \$1,237,267 compared to \$1,163,763 in the prior year. The GASB 68 pension expense adjustment for fiscal year 2018 was \$1.3 million compared to (\$.2) million in the prior year. Similar to the capitalized labor, this adjustment impacts the Statement of Net Position. When comparing salary and benefit totals year-to-year prior to the reduction for the capitalized labor and the increase due to the GASB 68 adjustment, the 2018 increase over the prior year was \$827,339 or 5.1%. The increase to salaries was \$535,961 or 5.1% while \$291,378 or 5.2% was the increase to benefits. The increase to salaries represents a 2.5% cost of living increase and 5% step increases for employees who are not at the top of their wage scale. The majority of the increase to benefits is due to a 4.5% increase to health insurance premiums and a 5.6% increase to CalPERS expense. Depreciation is up reflecting a continued investment in infrastructure projects. Utilities are down in fiscal year 2018 due to a milder than average winter. Repair and maintenance expenditures fluctuate year to year based on unexpected or planned projects. Combined operating and non-operating other expenses fluctuate year to year depending on the level of contracted and other professional services utilized by the District. Interest expense is down reflecting a greater principle component of the total debt service payments and a greater amount of interest capitalized and transferred to the statement of net position.



	<u>Expenses</u> (in thousands) June 30			
	2018	2017	Change	Change
<u>Operating expenses:</u>				
Salaries and benefits	\$16,948	\$14,728	\$ 2,220	15.1%
Depreciation	8,385	7,680	705	9.2%
Utilities	2,822	2,937	(115)	(3.9%)
Repair and maintenance	2,390	1,934	456	23.6%
Other	3,733	4,605	(872)	(18.9%)
Total operating expenses	34,278	31,884	2,394	7.5%
<u>Non-operating expenses:</u>				
Interest expense	679	813	(134)	(16.5%)
Other	293	252	41	16.3%
Total non-operating expenses	972	1,065	(93)	(8.7%)
Total expenses	\$35,250	\$32,949	\$ 2,301	7.0%

MANAGEMENT'S DISCUSSION AND ANALYSIS - continued
For the year ended June 30, 2018

Revenue and Expenses - Continued

The fiscal year 2017-18 income before capital contributions is \$1.9 million as compared to the budgeted income of \$.5 million and the actual prior year income of \$2.2 million. For the year, capital contributions increased net position an additional \$.6 million.

	<u>Changes in Net Position</u>			
	<i>(in thousands)</i>			
	<u>June 30</u>		<u>Change</u>	<u>Change</u>
<u>2018</u>	<u>2017</u>			
Beginning net position	<u>\$201,368</u>	<u>\$198,724</u>	<u>\$2,644</u>	<u>1.3%</u>
Income before contributions	1,901	2,178	(277)	(12.7%)
Capital contributions	<u>554</u>	<u>466</u>	<u>88</u>	<u>18.9%</u>
Changes in net position	<u>2,455</u>	<u>2,644</u>	<u>(189)</u>	<u>(7.1%)</u>
Ending net position	<u><u>\$203,823</u></u>	<u><u>\$201,368</u></u>	<u><u>\$2,455</u></u>	<u><u>1.2%</u></u>

Capital Assets

The District's investment in its sewer and water systems is \$223 million at the end of the fiscal year net of depreciation. During the year, more than \$11 million was spent on new infrastructure and equipment. \$3.2 million was spent on water system improvements, not including water meter installations. As noted in the highlights, new waterlines improve system reliability, water pressure, and fire flow capability. For the year \$3.4 was invested in sewer system improvements including pumping and treatment upgrades, line protection, and recycled effluent projects.

	<u>Capital Assets</u>					
	<i>(net of depreciation, in thousands)</i>					
	<u>Sewer</u>		<u>Water</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
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	86,035	80,813	89,307	85,450	175,342	166,263
Construction in Progress	<u>17,180</u>	<u>21,986</u>	<u>4,003</u>	<u>1,952</u>	<u>21,183</u>	<u>23,938</u>
Total	<u><u>\$126,058</u></u>	<u><u>\$125,642</u></u>	<u><u>\$96,881</u></u>	<u><u>\$90,973</u></u>	<u><u>\$222,939</u></u>	<u><u>\$216,615</u></u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS - continued
For the year ended June 30, 2018

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 \$53.2 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,	
	2018	2017
<u>Sewer Enterprise Fund:</u>		
California State Revolving Loan Fund (secured by sewer revenue)	1,832	1,948
California State Revolving Loan Fund (secured by sewer revenue)	725	764
California State Revolving Loan Fund (secured by sewer revenue)	992	1,050
California State Revolving Loan Fund (secured by sewer revenue)	7,626	5,724
California State Revolving Loan Fund (secured by sewer revenue)	4,506	3,709
Sewer Refunding (secured by sewer revenue)	5,796	6,331
Sewer Refunding (secured by sewer revenue)	6,097	6,957
Installment Sale Agreement (secured by sewer revenue)	4,896	5,172
Installment Sale Agreement (secured by sewer revenue)	4,853	0
California State Revolving Loan Fund (secured by sewer revenue)	1,070	0
California State Revolving Loan Fund (secured by sewer revenue)	580	0
Total sewer enterprise fund	38,973	31,655
 <u>Water Enterprise Fund:</u>		
Water Refunding (secured by water revenue)	5,403	6,039
California State Revolving Loan Fund (secured by water revenue)	3,386	3,503
California State Revolving Loan Fund (secured by water revenue)	1,075	1,099
California State Revolving Loan Fund (secured by water revenue)	3,357	0
California State Revolving Loan Fund (secured by water revenue)	1,029	0
Total water enterprise fund	14,250	10,641
Total debt	\$ 53,223	\$ 42,296

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

Contacting the District's Financial Management

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

STATEMENT OF NET POSITION

June 30, 2018

(With comparative totals for June 30, 2017)

	Business-type Activities Enterprise Funds		Total	
	Sewer	Water	2018	2017 (Restated)
ASSETS				
Current assets				
Cash and cash equivalents (Note 2)	\$ 11,375,279	\$ 1,325,739	\$ 12,701,018	\$ 8,527,374
Investments (Note 2)	2,305,706	1,354,309	3,660,015	4,229,073
Accounts receivable, net of allowance (Note 3)	211,841	1,005,849	1,217,690	1,276,628
Due from governmental agencies (Note 3)	58,350	667,172	725,522	1,388,055
Property tax receivable	7,994,808	-	7,994,808	7,519,073
Interest receivable	114,455	47,662	162,117	113,573
Other current assets	305,904	820,614	1,126,518	1,109,860
Total current assets	22,366,343	5,221,345	27,587,688	24,163,636
Noncurrent assets				
Restricted assets:				
Cash and cash equivalents (Note 2)	5,719,182	659,875	6,379,057	1,584,798
Certificate of deposit (Note 2)	50,000	115,000	165,000	165,000
Total restricted assets	5,769,182	774,875	6,544,057	1,749,798
Long-term accounts receivable (Note 3)	600,177	-	600,177	525,745
Due from governmental agencies, net of allowance (Note 3)	73,020	73,020	146,040	106,040
Interfund loan (Note 8)	3,000,000	-	3,000,000	3,000,000
Investments (Note 2)	13,929,815	8,181,264	22,111,079	21,445,651
Capital assets, net of accumulated depreciation (Note 4)	126,057,602	96,881,338	222,938,940	216,615,092
Total noncurrent assets	149,429,796	105,910,497	255,340,293	243,442,326
Total Assets	171,796,139	111,131,842	282,927,981	267,605,962
DEFERRED OUTFLOW OF RESOURCES				
Refunding loan costs	207,481	9,150	216,631	254,320
Changes in the net pension liability (Note 9)	3,101,436	1,974,706	5,076,142	5,288,980
Total Deferred Outflows of Resources	\$ 3,308,917	\$ 1,983,856	\$ 5,292,773	\$ 5,543,300

SOUTH TAHOE PUBLIC UTILITY DISTRICT
Using **innovation** to **educate** and **conserve**.

STATEMENT OF NET POSITION - continued

June 30, 2018

(With comparative totals for June 30, 2017)

	Business-type Activities Enterprise Funds		Total	
	Sewer	Water	2018	2017 (Restated)
LIABILITIES				
Current liabilities				
Accounts payable and other liabilities	\$ 1,013,231	\$ 1,858,429	\$ 2,871,660	\$ 2,905,504
Unearned revenue (Note 5)	967,274	873,225	1,840,499	1,659,225
Accrued expenses	595,174	806,688	1,401,862	1,293,446
Accrued interest payable	383,858	71,842	455,700	472,219
Compensated absences - current portion (Note 7)	727,255	501,726	1,228,981	1,301,626
Long term liabilities - current portion (Note 6)	<u>2,589,241</u>	<u>815,160</u>	<u>3,404,401</u>	<u>2,661,234</u>
Total current liabilities	<u>6,276,033</u>	<u>4,927,070</u>	<u>11,203,103</u>	<u>10,293,254</u>
Noncurrent liabilities				
Compensated absences - long term portion (Note 7)	1,096,925	742,208	1,839,133	1,845,349
Interfund loan (Note 8)	-	3,000,000	3,000,000	3,000,000
Long term liabilities - long term portion (Note 6)	36,382,968	13,435,690	49,818,658	39,634,578
Net pension liability (Note 9)	<u>6,184,127</u>	<u>3,956,462</u>	<u>10,140,589</u>	<u>8,639,873</u>
Total long-term liabilities	<u>43,664,020</u>	<u>21,134,360</u>	<u>64,798,380</u>	<u>53,119,800</u>
Total Liabilities	<u>49,940,053</u>	<u>26,061,430</u>	<u>76,001,483</u>	<u>63,413,054</u>
DEFERRED INFLOWS OF RESOURCES				
Property tax receivable	7,994,808	-	7,994,808	7,519,073
Changes in the net pension liability (Note 9)	<u>241,835</u>	<u>159,240</u>	<u>401,075</u>	<u>848,556</u>
Total Deferred Inflows of Resources	<u>8,236,643</u>	<u>159,240</u>	<u>8,395,883</u>	<u>8,367,629</u>
NET POSITION				
Net Investment in capital assets	87,767,897	79,756,374	167,524,271	172,100,162
Restricted for security deposits	50,000	115,000	165,000	165,000
Restricted for debt service payment	5,244,159	659,875	5,904,034	1,116,622
Unrestricted - designated for capital asset purchases	-	3,000,000	3,000,000	3,000,000
Unrestricted	<u>23,866,304</u>	<u>3,363,779</u>	<u>27,230,083</u>	<u>24,986,795</u>
Total Net Position	<u>\$ 116,928,360</u>	<u>\$ 86,895,028</u>	<u>\$ 203,823,388</u>	<u>\$ 201,368,579</u>

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the year ended June 30, 2018

(With comparative totals for the year ended June 30, 2017)

	Business-type Activities		Total	
	Sewer	Water	2018	2017 (Restated)
OPERATING REVENUE				
Charges for sales and services:				
Service charges	\$ 13,573,779	\$ 12,077,067	\$ 25,650,846	\$ 24,054,288
Connection and service fees	1,124,075	925,552	2,049,627	1,807,033
Other operating income	<u>180,171</u>	<u>242,652</u>	<u>422,823</u>	<u>343,714</u>
Total operating revenues	<u>14,878,025</u>	<u>13,245,271</u>	<u>28,123,296</u>	<u>26,205,035</u>
OPERATING EXPENSES				
Salaries, wage and employee benefits	10,243,013	6,704,821	16,947,834	14,728,493
Depreciation and amortization	4,802,028	3,582,452	8,384,480	7,680,425
Utilities	2,079,288	742,590	2,821,878	2,936,986
Repairs and maintenance	991,995	1,398,207	2,390,202	1,933,796
Other operating expenses	<u>2,241,227</u>	<u>1,492,023</u>	<u>3,733,250</u>	<u>4,604,509</u>
Total operating expenses	<u>20,357,551</u>	<u>13,920,093</u>	<u>34,277,644</u>	<u>31,884,209</u>
OPERATING LOSS	<u>(5,479,526)</u>	<u>(674,822)</u>	<u>(6,154,348)</u>	<u>(5,679,174)</u>
NONOPERATING REVENUE (EXPENSE)				
Tax revenue	7,952,418	36,057	7,988,475	7,491,933
Investment earnings	208,117	30,057	238,174	155,946
Aid from governmental agencies	4,508	372,237	376,745	912,758
Other nonoperating income	201,421	223,135	424,556	362,175
Interest expense	(621,487)	(57,653)	(679,140)	(813,155)
Debt Issuance Cost	(74,871)	-	(74,871)	-
Other expense	<u>(180,441)</u>	<u>(38,140)</u>	<u>(218,581)</u>	<u>(252,395)</u>
Total nonoperating revenue	<u>7,489,665</u>	<u>565,693</u>	<u>8,055,358</u>	<u>7,857,262</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS	<u>2,010,139</u>	<u>(109,129)</u>	<u>1,901,010</u>	<u>2,178,088</u>
CAPITAL CONTRIBUTIONS				
Capital contributions	<u>-</u>	<u>553,799</u>	<u>553,799</u>	<u>466,496</u>
CHANGE IN NET POSITION	<u>2,010,139</u>	<u>444,670</u>	<u>2,454,809</u>	<u>2,644,584</u>
TOTAL NET POSITION, BEGINNING OF YEAR - RESTATED	<u>114,918,221</u>	<u>86,450,358</u>	<u>201,368,579</u>	<u>198,723,995</u>
TOTAL NET POSITION, END OF YEAR	<u>\$ 116,928,360</u>	<u>\$ 86,895,028</u>	<u>\$ 203,823,388</u>	<u>\$ 201,368,579</u>

STATEMENT OF CASH FLOWS
For the year ended June 30, 2018
(With comparative totals for the year ended June 30, 2017)

	Business-type Activities Enterprise Funds		Total	
	Sewer	Water	2018	2017
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>				
Receipts from customers	\$ 14,866,962	\$12,999,291	\$ 27,866,253	\$ 25,954,470
Receipts from other funds	-	-	-	3,000,000
Other operating receipts	180,171	242,652	422,823	150,747
Payments to suppliers	(4,421,098)	(733,068)	(5,154,166)	(4,730,307)
Payments to employees	(8,986,213)	(6,260,985)	(15,247,198)	(14,617,554)
Payments to other funds	-	-	-	(3,000,000)
Other operating payments	(2,241,227)	(1,492,023)	(3,733,250)	(4,604,509)
NET CASH (USED FOR) PROVIDED BY OPERATING ACTIVITIES	<u>(601,405)</u>	<u>4,755,867</u>	<u>4,154,462</u>	<u>2,152,847</u>
<u>CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES</u>				
Tax revenue	7,952,418	36,057	7,988,475	7,491,933
Payments from/(to) governmental agencies	86,721	1,031,295	1,118,016	(112,509)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>8,039,139</u>	<u>1,067,352</u>	<u>9,106,491</u>	<u>7,379,424</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>				
Acquisition of capital assets	(5,383,920)	(9,499,022)	(14,882,942)	(11,027,436)
Repayment of debt	(2,031,980)	(776,580)	(2,808,560)	(2,459,124)
Proceeds from issuance of debt	9,349,414	4,386,393	13,735,807	5,416,036
Interest paid on notes payable	(636,052)	(59,607)	(695,659)	(720,333)
Contributed capital	-	265,040	265,040	351,153
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>1,297,462</u>	<u>(5,683,776)</u>	<u>(4,386,314)</u>	<u>(8,439,704)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>				
Investment earnings	382,473	126,681	509,154	476,582
Purchase of investments	(11,198,250)	(6,576,750)	(17,775,000)	(23,827,203)
Proceeds from sale of investments	12,732,316	4,626,794	17,359,110	18,117,596
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	<u>1,916,539</u>	<u>(1,823,275)</u>	<u>93,264</u>	<u>(5,233,025)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>10,651,735</u>	<u>(1,683,832)</u>	<u>8,967,903</u>	<u>(4,140,458)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>6,442,726</u>	<u>3,669,446</u>	<u>10,112,172</u>	<u>14,252,630</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 17,094,461</u>	<u>\$ 1,985,614</u>	<u>\$ 19,080,075</u>	<u>\$ 10,112,172</u>

SOUTH TAHOE PUBLIC UTILITY DISTRICT
Using **innovation** to **educate** and **conserve**.

STATEMENT OF CASH FLOWS - continued
For the year ended June 30, 2018
(With comparative totals for the year ended June 30, 2017)

	Business-type Activities		Total	
	Enterprise Funds			
	Sewer	Water	2018	2017
<u>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION</u>				
Unrestricted cash and cash equivalents	\$ 11,375,279	\$ 1,325,739	\$ 12,701,018	\$ 8,527,374
Restricted cash and cash equivalents	<u>5,719,182</u>	<u>659,875</u>	<u>6,379,057</u>	<u>1,584,798</u>
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 17,094,461</u>	<u>\$ 1,985,614</u>	<u>\$ 19,080,075</u>	<u>\$ 10,112,172</u>
<u>RECONCILIATION OF OPERATING LOSS TO NET CASH (USED FOR) PROVIDED BY OPERATING ACTIVITIES</u>				
Operating loss	\$ (5,479,526)	\$ (674,822)	\$ (6,154,348)	\$ (5,679,174)
Adjustments to reconcile operating loss to net cash used for (provided by) operating activities				
Depreciation and amortization	4,802,028	3,582,452	8,384,480	7,680,425
Net change in deferred outflows and inflows	387,217	(108,436)	278,781	(1,348,986)
Increase (Decrease) in receivables	18,063	(33,557)	(15,494)	(340,278)
Increase in due from other funds	-	-	-	(3,000,000)
(Increase) Decrease in other assets	(333)	(16,325)	(16,658)	(136,142)
(Decrease) Increase in accounts payable	(1,111,234)	1,077,390	(33,844)	631,188
Increase in pension liability	900,430	600,286	1,500,716	1,627,501
Increase in unearned revenue	151,045	30,229	181,274	240,460
Increase in due to other funds	-	-	-	3,000,000
(Decrease) Increase in other payables	<u>(269,095)</u>	<u>298,650</u>	<u>29,555</u>	<u>(522,147)</u>
NET CASH (USED FOR) PROVIDED BY OPERATING ACTIVITIES	<u>\$ (601,405)</u>	<u>\$ 4,755,867</u>	<u>\$ 4,154,462</u>	<u>\$ 2,152,847</u>
<u>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</u>				
Decrease in fair value of investments	\$ (138,954)	\$ (91,623)	\$ (230,577)	\$ (202,943)
Noncash capital contributions	-	288,759	288,759	115,343
Loss on disposition of CIP	<u>(165,971)</u>	<u>(8,645)</u>	<u>(174,616)</u>	<u>-</u>
Total Non-Cash investing, Capital, and financing activities	<u>\$ (304,925)</u>	<u>\$ 188,491</u>	<u>\$ (116,434)</u>	<u>\$ (87,600)</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the year ended June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

For financial reporting purposes, the District includes all funds that are controlled by or dependent on the District's Board of Directors. Management has determined the District to be a single reporting entity for financial reporting purposes by applying the criteria set forth in Statement of Governmental Accounting Standards No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*. This criteria requires the reporting entity to have a separate elected governing body, that it be a legal separate entity and fiscally independent.

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

- Sewer Enterprise Fund
- Water Enterprise Fund

B. Measurement Focus, Basis of Accounting and Presentation

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

Measurement Focus

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

Basis of Accounting

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

C. Budget

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

D. Cash and Cash Equivalents

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

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

E. Investments

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the year ended June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Reserves

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

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

G. Inventory

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

H. Property and Equipment

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

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

I. Compensated Absences

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

J. Pension Plan

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the year ended June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Capital Contributions

Capital contributions are grant monies received from the federal and state government in aid of construction, and assets contributed by Special Assessment Districts or real estate developers.

L. Estimates

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

M. Operating and Non-operating Revenues

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

N. Restricted Resources

The District's policy is to first apply restricted resources when an expense is incurred for purposes which both restricted and unrestricted net position are available.

O. Deferred Outflows and Inflows of Resources

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

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

P. Net Position

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

Q. Comparative Information

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

R. Implementation of Government Accounting Standards Board Statements

Effective July 1, 2017, the District implemented the following accounting and financial reporting standards:

Government Accounting Standards Board Statement No. 85

In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. The objective of this statement is to address practice issues that have been identified during implementation and application of certain GASB statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits).

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

S. Future Government Accounting Standards Board Statements

These statements are not effective until July 1, 2018 or later and may be applicable for the District. However, the District has not determined the effects, if any, on the financial statements.

Government Accounting Standards Board Statement No. 86

In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishments Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The District has not determined what impact, if any, this pronouncement will have on the financial statements. Application of this statement is effective for the District's fiscal year ending June 30, 2019.

Government Accounting Standards Board Statement No. 87

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

Government Accounting Standards Board Statement No. 88

In March 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The objective of this statement is to clarify which liabilities governments should include in their note disclosures related to debt. GASB is requiring debt borrowings and direct placements to be presented separately because they may expose a government to risks that are different from, or in addition to, risks related to other types of debt. The new standard also requires the disclosure of additional essential debt-related information for all types of debt, including amounts of unused lines of credit and assets pledged as collateral for debt. Also required to be disclosed are terms specified in debt agreements related to: (1) significant events of default with finance-related consequences, (2) significant termination events with finance-related consequences, (3) significant subjective acceleration clauses. The District has not determined what impact, if any, this pronouncement will have on the financial statements. Application of this statement is effective for the District's fiscal year ending June 30, 2020.

Government Accounting Standards Board Statement No. 89

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This statement requires interest costs incurred before the end of a construction period to be recorded as an expenditure in the applicable period. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The District has not determined what impact, if any, this pronouncement will have on the financial statements. Application of this statement is effective for the District's fiscal year ending June 30, 2021.

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government Accounting Standards Board Statement No. 90

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests*. The purpose of this statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The new standard clarifies the differences between a majority equity interests reported as an investment and majority equity interest reported as a component unit of the governmental entity. The District has not determined what impact, if any, this pronouncement will have on the financial statements. Application of this statement is effective for the District's fiscal year ending June 30, 2020.

NOTE 2: CASH AND INVESTMENTS

Cash and investments as of June 30, 2018 consisted of the following:

Cash and cash equivalents:

Unrestricted:	
Cash on hand	\$ 2,450
Unrestricted deposits in financial institutions	2,435,879
Deposits in Local Agency Investment Fund (LAIF)	10,144,196
Deposits in El Dorado County Treasury	77,224
Deposits in California Asset Management Program (CAMP)	<u>41,269</u>
Total unrestricted cash and cash equivalents	<u>12,701,018</u>
Restricted:	
Deposits in CAMP	475,023
Restricted for debt service payment	<u>5,904,034</u>
Total restricted cash and cash equivalents	<u>6,379,057</u>
Total cash and cash equivalents	<u>19,080,075</u>

Investments:

Unrestricted:	
Federal agency and instrumentalities	2,120,106
U.S. corporate debt	14,665,089
Commercial paper	1,338,744
U.S. Treasury obligations	3,870,855
Negotiable certificates of deposit	<u>3,776,300</u>
Total unrestricted investments	<u>25,771,094</u>
Restricted:	
Negotiable certificates of deposit	<u>165,000</u>
Total investments	<u>25,936,094</u>
Total cash and investments	<u>\$ 45,016,169</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the year ended June 30, 2018

NOTE 2: CASH AND INVESTMENTS (continued)

Investments Authorized by the California Government Code and the District's Investment Policy

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury obligations	5 Years	None	None
Federal agency and instrumentalities			
Callable	5 Years	25%	None
Asset backed securities	5 Years	20%	None
Other	5 Years	None	None
Supranationals	5 Years	30%	None
U.S. corporate debt	5 Years	30%	10%
Negotiable certificates of deposit	5 Years	30%	10%
Commercial paper	270 days	25%	10%
Bank deposits	N/A	20%	10%
Bankers' acceptances	180 days	40%	10%
Pooled investment funds			
LAIF	N/A	None	None
CAMP	N/A	None	None
El Dorado County pool	N/A	None	None
Money market funds	N/A	20%	10%

Interest Rate Risk

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

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

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following tables that shows the distribution of the District's investments by maturity as of June 30, 2018:

Investment Type	Investment Maturities (in years)			
	Fair Value	Less than 1	1-2	3-5
Federal agency and instrumentalities	\$ 2,120,106	\$ 9,978	\$ 1,932,655	\$ 177,473
U.S. corporate debt	14,665,089	-	8,472,466	6,192,623
Commercial paper	1,338,744	-	-	1,338,744
U.S. Treasury obligations	3,870,855	819,690	1,666,960	1,384,205
Negotiable certificates of deposit	3,941,300	65,000	953,949	2,922,351
	<u>\$ 25,936,1</u>	<u>\$ 894,668</u>	<u>\$ 13,026,030</u>	<u>\$12,015,396</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the year ended June 30, 2018

NOTE 2: CASH AND INVESTMENTS (continued)

Concentration of Credit Risk

The investment policy of the District limits the amount that can be invested in any one issuer to the lesser of the amount stipulated by the California Government Code or the limits noted above, with the exception of U.S. Treasury obligation bonds, U.S. Agency securities, and pooled investment funds. As of June 30, 2018, the District held \$14,665,089 or 57%, of its investment portfolio, in the U.S. corporate Debt. This exceeds the District's 30% policy limitation.

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Presented below is the actual rating as of June 30, 2018 for each investment type.

Investment Type	Total	Rating as of Fiscal Year End	
		S&P	N/A
Federal agency and instrumentalities	\$ 2,120,106	AA+	
U.S. corporate debt	5,534,716	AAA	
U.S. corporate debt	552,009	AA+	
U.S. corporate debt	593,308	AA	
U.S. corporate debt	1,191,351	AA-	
U.S. corporate debt	2,492,686	A+	
U.S. corporate debt	1,063,177	A	
U.S. corporate debt	839,253	A-	
U.S. corporate debt	399,255	A-1	
U.S. corporate debt	1,116,516	BBB+	
U.S. corporate debt	882,818		Not rated
Commercial paper	1,338,744		Not rated
U.S. Treasury obligations	3,870,855	AA+	
Negotiable certificates of deposit	795,170	AA-	
Negotiable certificates of deposit	398,263	A-1+	
Negotiable certificates of deposit	757,894	A-1	
Negotiable certificates of deposit	1,047,295	A+	
Negotiable certificates of deposit	777,678	A	
Negotiable certificates of deposit	165,000		Not rated
	<u>\$ 25,936,094</u>		

Concentration Risk

Concentration risk is the risk of loss attributed to the magnitude of an investor's investment in a single issuer. To limit concentration risk, the District places a 10% limit on investments in any one non-governmental issuer. Investments exceeding 5% of the total investments, excluding external investment pools, as of June 30, 2018 were U.S. Treasury obligations and Federal Agency notes which totaled 15% and 8% of the total investments, respectively.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the depositor will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The District's Investment Policy requires the financial institution to either collateralize the deposits or cover them with Federal deposit insurance. The District's cash and deposits in financial institutions, totaling \$2,987,316 as of June 30, 2018, 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.

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the year ended June 30, 2018

NOTE 2: CASH AND INVESTMENTS (continued)

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.

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. 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. CAMP is a trust under the oversight of the CAMP Board of Trustees.

Because the District's deposits are maintained in recognized pooled investment funds under the care of a third party and the District's share of the pool does not consist of specific identifiable investment securities owned by the District, no disclosure of the individual deposits is required. The District's deposits in the funds are considered to be highly liquid. The El Dorado County Treasurer, LAIF, and CAMP representatives have indicated there are no derivatives in the pools as of June 30, 2018. LAIF does invest in structured notes and asset-based securities.

Investment Valuation

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

The following tables set forth by level, within the fair value hierarchy, the District's assets at fair value as of June 30, 2018.

	Level 1	Level 2	Level 3	Total
Federal agency and instrumentalities	\$ -	\$ 2,120,106	\$ -	\$ 2,120,106
U.S corporate debt	-	14,665,089	-	14,665,089
Commercial paper	-	1,338,744	-	1,338,744
U.S. Treasury obligations	-	3,870,855	-	3,870,855
Negotiable certificates of deposit	-	3,941,300	-	3,941,300
Total assets at fair value	<u>\$ -</u>	<u>\$ 25,936,094</u>	<u>\$ -</u>	<u>\$ 25,936,094</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2018

NOTE 3: ACCOUNTS RECEIVABLE AND AMOUNTS DUE FROM GOVERNMENTAL AGENCIES

Short-term receivables at June 30, 2018 consisted of the following:

	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
Customer receivables	\$ 246,137	\$ 654,467	\$ 900,604
Other receivables	56,163	423,247	479,410
Due from Federal Government	46,680	162,449	209,129
Due from State Government	11,670	174,586	186,256
Due from El Dorado County	<u>-</u>	<u>330,137</u>	<u>330,137</u>
	360,650	1,744,886	2,105,536
Allowance for doubtful accounts	<u>(90,459)</u>	<u>(71,865)</u>	<u>(162,324)</u>
Accounts receivable, net of allowance	<u>\$ 270,191</u>	<u>\$ 1,673,021</u>	<u>\$ 1,943,212</u>

Long-term receivables at June 30, 2018 consisted of the following:

	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
Customer receivables	\$ 600,177	\$ -	\$ 600,177
Due from State Government	<u>73,020</u>	<u>73,020</u>	<u>146,040</u>
	673,197	73,020	746,217
Allowance for doubtful accounts	<u>-</u>	<u>-</u>	<u>-</u>
Accounts receivable, net of allowance	<u>\$ 673,197</u>	<u>\$ 73,020</u>	<u>\$ 746,217</u>

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

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows:

	<u>July 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2018</u>
Capital assets not being depreciated					
Land and easement	\$ 24,745,627	\$ -	\$ -	\$ -	\$ 24,745,627
Water rights	1,668,308	-	-	-	1,668,308
Construction in progress	<u>23,937,526</u>	<u>5,118,375</u>	<u>(174,614)</u>	<u>(7,698,504)</u>	<u>21,182,783</u>
Total capital assets not being depreciated	<u>50,351,461</u>	<u>5,118,375</u>	<u>(174,614)</u>	<u>(7,698,504)</u>	<u>47,596,718</u>
Capital assets being depreciated					
Plant and equipment	<u>309,959,853</u>	<u>9,764,567</u>	<u>(673,786)</u>	<u>7,698,504</u>	<u>326,749,138</u>
Less accumulated depreciation					
Plant and equipment	<u>(143,696,222)</u>	<u>(8,384,480)</u>	<u>673,786</u>	<u>-</u>	<u>(151,406,916)</u>
Total capital assets being depreciated, net	<u>166,263,631</u>	<u>1,380,087</u>	<u>-</u>	<u>7,698,504</u>	<u>175,342,222</u>
Capital assets, net	<u>\$ 216,615,092</u>	<u>\$ 6,498,462</u>	<u>\$ (174,614)</u>	<u>\$ -</u>	<u>\$ 222,938,940</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the year ended June 30, 2018

NOTE 4: CAPITAL ASSETS (continued)

Construction in progress as of June 30, 2018 consisted of the following:

Alpine County Master Plan	\$ 1,295,525
BMP projects, sewer	174,936
BMP projects, water	201,519
Breakpoint Chamber Mod	187,663
C-Line energy generation	189,305
C-Line reroute	236,334
Collection system master plan	680,144
Concrete coating project	187,101
DVR emergency storage basin	146,188
DVR environmental impact report	769,991
DVR irrigation improvements	11,053,860
ERP System	278,255
Keller-Heavenly System Improvements	505,721
Meters, Phase 4	2,067,304
PRV instrumentation Project	89,553
Scada upgrades	68,137
Sewer Pump Stn Improvements Big5	359,197
Tallac Creek Sewer Crossing	142,237
Treatment plant generator	1,035,929
Water system optimization plan	484,518
Waterline evaluations	77,803
Waterline replacement, Bower	46,012
Waterline replacement, Marlette	373,481
Wildwood intercept	264,751
Other projects	<u>267,319</u>
	<u>\$ 21,182,783</u>

Depreciation expense for the year ended June 30, 2018 was charged to the different activities as follows:

Sewer	\$ 4,802,028
Water	<u>3,582,452</u>
	<u>\$ 8,384,480</u>

NOTE 5: UNEARNED REVENUE

Unearned revenue represents revenues that had been collected or billed, but not yet earned. Unearned revenue consisted of the following at June 30, 2018:

	Sewer	Water	Total
Connection fee deposits	\$ 929,685	\$ 817,900	\$ 1,747,585
Other unearned revenue	<u>37,589</u>	<u>55,325</u>	<u>92,914</u>
	<u>\$ 967,274</u>	<u>\$ 873,225</u>	<u>\$ 1,840,499</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2018

NOTE 6: LONG TERM LIABILITIES

During the year ended June 30, 2018, the following changes occurred in long-term liabilities:

	June 30, 2017	Additions	Reductions	June 30, 2018	Current Portion
SRF Luther Pass Pump Station	\$ 1,948,363	\$ -	\$ (116,368)	\$ 1,831,995	\$ 119,510
SRF Headworks	764,077	-	(38,812)	725,265	39,860
SRF Emergency Retention Basin	1,049,649	-	(57,688)	991,961	59,246
2011 Sewer Installment Agreement	5,171,958	-	(276,255)	4,895,703	286,430
2012 Sewer Refunding	6,957,304	-	(860,159)	6,097,145	880,056
2013 Sewer Refunding	6,330,871	-	(535,372)	5,795,499	548,623
SRF Luther Pass Power	3,708,397	797,395	-	4,505,792	123,595
SRF Diamond Valley Irrigation Improvement	5,724,157	1,901,788	-	7,625,945	200,043
SRF Aeration Basin #2 Rehabilitation	-	1,070,077	-	1,070,077	28,355
SRF Primary Clarification #1 Rehabilitation	-	580,153	-	580,153	15,602
Chase Bank Sewer Loan	-	5,000,000	(147,326)	4,852,674	287,921
2013 Water Refunding	6,039,327	-	(636,466)	5,402,861	650,996
SRF Meters Phase 1	3,503,116	-	(116,771)	3,386,345	116,771
SRF Meters Phase 2	1,098,593	-	(23,343)	1,075,250	47,393
SRF Meters Phase 3 - 5	-	3,357,245	-	3,357,245	-
SRF Waterline Replacement	-	1,029,149	-	1,029,149	-
Total	\$ 42,295,812	\$ 13,735,807	\$ (2,808,560)	\$ 53,223,059	\$ 3,404,401

A description of the long-term liabilities at June 30, 2018 follows:

SRF Luther Pass Pump Station

2011 California State Water Resources Control Board Revolving Fund loan secured by a first lien against all sewer revenues, due October 15, 2030, payable \$168,973 annually, including interest at 2.7%. The original amount of the debt was \$2,485,968 and was used for construction of the Luther Pass Pump Station Generator Replacement project. For the year ended June 30, 2018, principal and interest payments accounted for 0.5% of total sewer revenues.

SRF Headworks

2011 California State Water Resources Control Board Revolving Fund loan secured by a first lien against all sewer revenues, due October 15, 2032, payable \$59,442 annually, including interest at 2.7%. The original amount of the debt was \$909,386 and was used for construction of the Headworks Replacement project. For the year ended June 30, 2018, principal and interest payments accounted for 0.2% of total sewer revenues.

SRF Emergency Retention Basin

2011 California State Water Resources Control Board Revolving Fund loan secured by a first lien against all sewer revenues, due October 15, 2031, payable \$86,029 annually, including interest at 2.7%. The original amount of the debt was \$1,344,698 and was used for construction of the Emergency Retention Basin Liner project. For the year ended June 30, 2018, principal and interest payments accounted for 0.2% of total sewer revenues.

2011 Sewer Installment Agreement

2011 Sewer Installment Sale Agreement with BBVA Compass Bank, secured by a first lien against all sewer revenues, due August 1, 2031, payable \$231,267 semi-annually, including interest at 3.65%. The original amount of the debt was \$6,525,000 and was used for constructions of sewer infrastructure improvements. For the year ended June 30, 2018, principal and interest payments accounted for 1.2% of total sewer revenues.

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the year ended June 30, 2018

NOTE 6: LONG TERM LIABILITIES (continued)

2012 Sewer Refunding

2012 Sewer Installment Sale Agreement with BBVA Compass Bank, secured by a first lien against all sewer revenues, due September 1, 2024, payable \$507,630 semi-annually, including interest at 2.3%. The original amount of the debt was \$10,605,000 and was used for construction of sewer infrastructure improvements and was also used to repay the 2004 Sewer Revenue Certificates of Participation, which funded sewer infrastructure improvements. For the year ended June 30, 2018, principal and interest payments accounted for 3.7% of total sewer revenues.

2013 Sewer Refunding

2013 Sewer Installment Sale Agreement with BBVA Compass Bank, secured by a first lien against all sewer revenues, due August 2027, payable \$343,919 semi-annually, including interest at 2.46%. The original amount of the debt was \$8,400,000 and was used to repay the 2007 Sewer Installment Sale Agreement, which funded sewer infrastructure improvements. For the year ended June 30, 2018, principal and interest payments accounted for 2.3% of total sewer revenues.

SRF Luther Pass Power

2015 California State Water Resources Control Board Revolving Fund Loan secured by a first lien against all sewer revenues, due August 30, 2017, payable \$190,054 annually, including interest of 1.6%. The original amount of the debt was \$4,444,057 and was used for construction of Luther Pass Pump Station upgrades. For the year ended June 30, 2018, principal and interest payments accounted for 0% of total sewer revenues.

SRF Diamond Valley Ranch Irrigation Improvement

2015 California State Water Resources Control Board Revolving Fund Loan secured by a first lien against all sewer revenues, due December 31, 2047, payable \$322,058 annually, including interest of 1.6%. The original amount of the debt was \$8,860,890 and was used for construction of the Diamond Valley Ranch Irrigation improvements. For the year ended June 30, 2018, principal and interest payments accounted for 0% of total sewer revenues.

SRF Aeration Basin #2 Rehabilitation

2018 California State Water Resources Control Board Revolving Fund Loan secured by a first lien against all sewer revenues, due December 31, 2047, payable \$45,799 annually, including interest of 1.7%. The original amount of the debt was \$1,070,077 and was used for the rehabilitation of aeration basin #2. For the year ended June 30, 2018, principal and interest payments accounted for 0% of total sewer revenues.

SRF Primary Clarifier #1 Rehabilitation

2018 California State Water Resources Control Board Revolving Fund Loan secured by a first lien against all sewer revenues, due December 31, 2047, payable \$24,820 annually, including interest of 1.7%. The original amount of the debt was \$580,153 and was used for the rehabilitation of primary clarifier #1. For the year ended June 30, 2018, principal and interest payments accounted for 0% of total sewer revenues.

Chase Bank Sewer Loan

2017 Installment Sale Agreement with Chase Bank, secured by a first lien against all sewer revenues, due December 1, 2032, payable \$196,074 semi-annually, including interest at 2.18%. The original amount of the debt was \$5,000,000 and was used for construction of the sewer plant generator and building. For the year ended June 30, 2018, principal and interest payments accounted for 0.6% of total sewer revenues.

2013 Water Refunding

2013 Water Installment Sale Agreement with BBVA Compass Bank, secured by a first lien against all water revenues, due January 30, 2030, payable \$237,786 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, 2018, principal and interest payments accounted for 4.6% of total water revenues.

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2018

NOTE 6: LONG TERM LIABILITIES (continued)

SRF Meters Phase 1

2014 California State Water Resources Control Board Revolving Fund Loan secured by a first lien against all water revenues, due January 1, 2047, payable \$58,385 semi-annually, including interest of 0%. The original amount of the debt was \$3,503,116 and was used for installation of water meters. Imputed interest for this loan is not material. For the year ended June 30, 2018, principal and interest payments accounted for 0.8% of total water revenues.

SRF Meters Phase 2

2017 California State Water Resources Control Board Revolving Fund Loan secured by a first lien against all water revenues, due July 1, 2037, payable \$32,204 semi-annually, including interest of 1.6%. The original amount of the debt was \$1,098,593 and was used for installation of water meters. For the year ended June 30, 2018, principal and interest payments accounted for 0.2% of total water revenues.

SRF Meters Phase 3 -5

In 2018, the District entered into a revolving fund loan agreement with California State Water Resources Control Board to provide funding for phases 3 through 5 of the water meter installation project. The loan is secured by a first lien against all water revenues. Funds are drawn on the agreement as work is completed up to a maximum approved amount of \$14,010,534. At project completion, \$4,000,000 of this amount is anticipated to be forgiven. Annual principal and interest payments will begin after project completion, which is expected to be in October, 2020. The loan will accrue interest at a rate of 1.8% annually. As of June 30, 2018 the District incurred a total of \$3,357,244 in Phase 3 - 5 costs. For the year ended June 30, 2018, principal and interest payments accounted for 0% of total water revenues.

SRF Waterline Replacement

In 2018, the District entered into a revolving fund loan agreement with California State Water Resources Control Board to provide funding for the waterline replacement project. The loan is secured by a first lien against all water revenues. Funds are drawn on the agreement as work is completed up to a maximum approved amount of \$3,627,005. Semi-annual principal payments will occur each January 1 and July 1, commencing January 1, 2020. The loan accrues interest at a rate of 1.7% annually. Final payment is due July 1, 2049. For the year ended June 30, 2018, principal and interest payments accounted for 0% of total water revenues.

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

	Principal	Interest	Total
Years ending June 30,			
2019	\$ 3,404,401	\$ 1,012,436	\$ 4,416,837
2020	3,341,574	947,971	4,289,545
2021	3,283,051	872,591	4,155,642
2022	3,358,737	796,907	4,155,644
2023	3,436,315	719,329	4,155,644
2024 - 2028	14,392,735	2,488,158	16,880,893
2029 - 2033	8,396,144	1,126,022	9,522,166
2034 - Thereafter	<u>13,610,102</u>	<u>1,137,717</u>	<u>14,747,819</u>
	<u>\$ 53,223,059</u>	<u>\$ 9,101,131</u>	<u>\$ 62,324,190</u>

Interest charges on debt, including amounts capitalized totaling \$149,425, for the year ended June 30, 2018 was \$679,140.

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, 2018.

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the year ended June 30, 2018

NOTE 7: COMPENSATED ABSENCES

Compensated absences balance and activity for the year ended June 30, 2018 were as follows:

	July 1, 2017	Additions	Reductions	June 30, 2018	Current Portion
Compensated absences	\$ 3,146,975	\$ 1,756,993	\$ (1,835,854)	\$ 3,068,114	\$ 1,228,981

NOTE 8: INTERFUND LOAN

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

NOTE 9: PENSION PLAN

A. General Information about the Pension Plan

Plan Description

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

Benefits Provided

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the year ended June 30, 2018

NOTE 9: PENSION PLAN (continued)

The rate plan's provisions and benefits in effect at June 30, 2018, are summarized as follows:

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

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The District's contributions to the Plan for the year ended June 30, 2018 were \$1,446,366.

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

As of June 30, 2018, the District reported a net pension liability of \$10,140,589 for its proportionate share of the net pension liability of the Plan.

The District's net pension liability is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2017, 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, 2016 rolled forward to June 30, 2017 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability to the Plan as of June 30, 2018 and 2017 was follows:

Proportion - June 30, 2017	0.24871 %
Proportion - June 30, 2018	<u>0.25724 %</u>
Change - decrease	<u>0.00853 %</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the year ended June 30, 2018

NOTE 9: PENSION PLAN (continued)

For the year ended June 30, 2018, the District recognized pension expense of \$2,748,945. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to the measurement date	\$ 1,446,366	\$ -
Change in employer's proportion	1,235,259	218,217
Difference between actual and expected experience	-	182,858
Changes in assumptions	1,572,638	-
Difference between employer contributions and the employer's proportionate share of the risk pool's contributions	436,855	-
Net difference between projected and actual earning on plan investments	385,024	-
 Total	 \$ 5,076,142	 \$ 401,075

\$1,446,366 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ended June 30,	
2019	\$ 1,355,717
2020	1,262,670
2021	838,912
2022	(228,598)

Actuarial Assumptions

The total pension liabilities in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.15% net of pension plan investment expenses, includes inflation
Mortality (1)	Derived using CalPERS membership data for all funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until purchasing protection allowance floor on purchasing power applied, 2.75% thereafter

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

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Changes in Assumptions

There were no changes of assumptions during the measurement period ended June 30, 2017. Deferred inflows of resources for changes in assumptions presented in the deferred outflows/inflows table above represents the portion of the changes of assumptions related to prior measurement periods.

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the year ended June 30, 2018

NOTE 9: PENSION PLAN (continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of the discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. The tests revealed the assets would not run out. Therefore, the current 7.15 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15 percent is applied to all plans in the Public Employees' Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS website under the GASB 68 section.

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

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

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

Asset class	Current target allocation	Real return years 1-10 (1)	Real return years 11+ (2)
Global Equity	47.0%	4.90%	5.38%
Global Fixed Income	19.0%	0.80%	2.27%
Inflation Sensitive	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	(0.40%)	(0.90%)

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

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

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

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

	Discount Rate - 1% 6.15%	Current Discount Rate 7.15%	Discount Rate + 1% 8.15%
Net pension liability	\$15,752,358	\$10,140,589	\$5,492,821

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the year ended June 30, 2018

NOTE 9: PENSION PLAN (continued)

Pension Plan Fiduciary Net Position

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

NOTE 10: DEFERRED COMPENSATION PLAN

The District offers its employees a deferred compensation plan (the "457 Plan") created in accordance with Internal Revenue Code Section 457. The 457 Plan permits the employees to defer a portion of their salary until future years. A third party administrator maintains deferrals in a trust capacity. The deferred compensation is not available to employees until termination, retirement, death or unforeseen emergency. Participants may elect to contribute, through salary reductions, up to the IRC (g) limit (\$18,500 in 2018).

The 457 Plan assets totaled \$17,506,939 at June 30, 2018. Plan assets consist of investments in mutual funds, which are held in trust and are considered protected from the general creditors of the District.

NOTE 11: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. To protect the District from these risks, it is a member of a risk management program as discussed in Note 13. The District carries commercial insurance to protect against the risk of errors and omissions. For each of the three most recent years, settlement of claims has not exceeded insurance coverage.

NOTE 12: COMMITMENTS AND CONTINGENCIES

A. Contractual Obligations

At June 30, 2018, the District's significant contractual commitments with outside firms for engineering, construction, consulting, and various other services totaled approximately \$11.7 million.

At June 30, 2018, the District's management was in negotiations with various contractors regarding change orders for work performed prior to year-end. Management has made estimates for amounts due at year-end and had recorded them in accrued liabilities.

B. Contingencies

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the year ended June 30, 2018

NOTE 13: JOINT POWERS AUTHORITY

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

The following is a summary of the most current audited financial information for CSRMA as of June 30, 2017 (the most recent information available):

Total assets	\$ 28,419,707
Total liabilities	17,241,037
Net assets	11,178,670
Total income	11,166,523
Total expense	11,588,811

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

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

The following is a summary of the most current audited financial information for the CAMP portfolio as of December 31, 2017 (the most recent information available):

Total assets	\$ 3,060,399,463
Total liabilities	535,958
Net assets	3,059,863,505
Total income	27,570,775
Total expenses	3,142,427
Net increase in net assets resulting from operations	24,428,348

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the year ended June 30, 2018

NOTE 14: 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 15: INVESTMENT EARNINGS

Investment earnings consisted of the following for the year ended June 30, 2018:

Interest income	\$	557,698
Realized and unrealized losses		<u>(319,524)</u>
		<u>\$ 238,174</u>

NOTE 16: OTHER OPERATING EXPENSES

Other operating expenses consisted of the following for the year ended June 30, 2018:

Professional services	\$	1,325,134
Operating permits		355,523
Chemical supplies		271,697
Office expense		245,787
Insurance and unreimbursed claims		312,153
Travel, meetings, and education		231,776
Research and monitoring		51,156
Miscellaneous expense		<u>940,024</u>
		<u>\$ 3,733,250</u>

NOTE 17: RESTATEMENT OF FINANCIAL STATEMENTS

During the fiscal year ending June 30, 2017, the District reported grants receivable in the sewer fund related to FEMA reimbursements. In fiscal year ending June 30, 2018, the District discovered that a total of \$144,958 of these reimbursements will not be received, causing an overstatement of grants receivable and federal aid for the fiscal year ending June 30, 2017, and unrestricted net assets as of July 1, 2017.

The effect of the restatement on the change in unrestricted net assets and financial position as of and for the year ended June 30, 2018 is as follows.

	As previously reported		Restated
Aid from governmental agencies	\$ 1,057,716	\$	912,758
Due from Governmental agencies (current portion)	1,533,013		1,388,055
Unrestricted Net Position	25,131,753		24,986,795

NOTE 18: SUBSEQUENT EVENT

Management has evaluated events subsequent to June 30, 2018 through October 30, 2018, the date on which the financial statements were available for issuance. Management has determined no subsequent events requiring disclosure have occurred.

REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
As of June 30, 2018 (Last 10 Years*)

	Measurement Period			
	2017	2016	2015	2014
Proportion of the net pension liability	0.25724%	0.24871%	0.25560%	0.24100%
Proportionate share of the net pension liability	\$10,140,589	\$ 8,639,873	\$ 7,012,372	\$ 5,945,128
Covered - employee payroll	\$ 9,307,465	\$ 9,428,197	\$ 8,791,579	\$ 8,813,523
Proportionate share of the net pension liability as a percentage of covered - employee payroll	108.95%	91.64%	79.76%	67.45%
Plan fiduciary net position as a percentage of the total pension liability	75.39%	74.06%	78.40%	79.82%

* Schedule is intended to show information for ten years. Fiscal year 2015 was the first year of implementation, therefore only four years are shown. Additional years' information will be displayed as it becomes available.

REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF CONTRIBUTIONS TO THE COST SHARING DEFINED BENEFIT PENSION PLAN
As of June 30, 2018 (Last 10 Years*)

	Fiscal Year-End			
	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	\$ 1,446,366	\$ 1,369,744	\$ 1,278,986	\$ 1,545,374
Contributions in relation to the actuarially determined contributions	<u>1,446,366</u>	<u>1,369,744</u>	<u>1,278,986</u>	<u>1,545,374</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered - employee payroll	\$ 9,650,512	\$ 9,307,465	\$ 9,428,197	\$ 8,791,579
Contributions as a percentage of covered - employee payroll	14.99%	14.72%	13.57%	17.58%

* Schedule is intended to show information for ten years. Fiscal year 2015 was the first year of implementation, therefore only four years are shown. Additional years' information will be displayed as it becomes available.





Using **innovation** to **educate** and **conserve**.



STATISTICAL SECTION OBJECTIVES

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

<u>Contents</u>	<u>Page</u>
<u>Financial Trends Data</u>	48-49
Changes in Net Position	50
Net Position by Component	
•These schedules present financial trend data for assessing the District's financial position over time.	
<u>Revenue Capacity Data</u>	
Water and Sewer Service Charges – Billings and Collections	51
Annual Sewer and Water Rates	52
Annual Sewer Permits Issued	52
Rate Increase History	52
Annual Service Fee Comparison	53
Ten Largest Customers	54
Sewer and Water Service Charges by Type of Customer	55
Principal Employers	56
Property Tax Assessments and Levies – Sewer Enterprise Fund	57
Property Tax Rates All Direct and Overlapping Governments	57
Principal Property Taxpayers	58
•These schedules present revenue capacity information for assessing the District's ability to generate revenue. Sewer and Water Service Charges and Property Taxes are the District's most significant revenue sources.	
<u>Debt Capacity Data</u>	
Ratios of Outstanding Debt by Type	59
•This schedule presents information on the District's debt burden per customer for both of its enterprise funds.	
Pledged-Revenue Coverage	60
•This schedule shows net revenue available for debt service and related coverage ratios.	
<u>Operating Information</u>	
Capital Spending	61
Capital Asset Statistics by Function/Program	61
Detail of Capital Spending	62
•These schedules provide information on the District's infrastructure replacement program and details spending on current large projects.	
Wastewater Flows	63
•The Wastewater Flow Schedule details the amount of influent customers send to the Wastewater Treatment Plant annually, monthly, and daily.	
Water Production	64
•The Water Production Schedule details potable water demand by customers annually, monthly, and daily.	
<u>Demographic and Economic Information</u>	
Demographic Statistics	65
•The Water Production Schedule details potable water demand the socioeconomic environment of the local community. It also provides operating information workforce.on issuance of sewer permits and the District's	
<u>Acknowledgments</u>	66

SOUTH TAHOE PUBLIC UTILITY DISTRICT
Using **innovation** to **educate** and **conserve**.

CHANGES IN NET POSITION

Last Ten Fiscal Years

	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>
Operating revenues:				
Charges for sales and services:				
Service charges	25,650,846	\$24,054,288	\$22,356,964	\$21,048,326
Connection and service fees	2,049,627	1,807,033	1,623,742	2,646,447
Other operating income	422,823	343,714	301,952	360,636
Total operating revenues	<u>28,123,296</u>	<u>26,205,035</u>	<u>24,282,658</u>	<u>24,055,409</u>
Operating expenses:				
Salaries, wages & employee benefits	16,947,834	14,728,493	13,256,886	13,869,664
Depreciation and amortization	8,384,480	7,680,425	7,520,917	7,405,554
Utilities	2,821,878	2,936,986	2,739,345	2,636,321
Repairs and maintenance	2,390,202	1,933,796	1,744,263	1,611,897
Other operating expenses	3,733,250	4,604,509	3,938,180	3,923,978
Loss on disposal of assets	-	-	-	-
Total operating expenses	<u>34,277,644</u>	<u>31,884,209</u>	<u>29,199,591</u>	<u>29,267,414</u>
Operating income (loss)	<u>(6,154,348)</u>	<u>(5,679,174)</u>	<u>(4,916,933)</u>	<u>(5,212,005)</u>
Nonoperating revenues (expenses):				
Tax revenue	7,988,475	7,491,933	7,106,309	6,761,836
Investment earnings	238,174	155,946	405,293	205,884
Aid from governmental agencies	376,745	1,057,716	357,044	503,417
Other nonoperating income	424,556	362,175	426,582	287,410
Interest expense	(679,140)	(813,155)	(738,504)	(813,055)
Other expense	(218,581)	-252,395	-224,345	-173,181
Total nonoperating revenues	<u>8,055,358</u>	<u>8,002,220</u>	<u>7,332,379</u>	<u>6,772,311</u>
Income before contributions	1,901,010	2,323,046	2,415,446	1,560,306
Capital contributions (reimbursements)	<u>553,799</u>	<u>466,496</u>	<u>385,971</u>	<u>290,077</u>
Change in net position	<u>\$2,454,809</u>	<u>\$2,789,542</u>	<u>\$2,801,417</u>	<u>\$1,850,383</u>

SOURCE: South Tahoe Public Utility District Finance Department

SOUTH TAHOE PUBLIC UTILITY DISTRICT
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CHANGES IN NET POSITION - continued
Last Ten Fiscal Years

<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>
\$19,857,736	\$19,905,104	18,996,769	\$18,843,974	\$18,604,175	\$18,893,889
2,477,127	1732924	985,935	991440	833048	1846994
385,661	396,604	342,608	400,643	336,922	336,923
<u>22,720,524</u>	<u>22,034,632</u>	<u>20,325,312</u>	<u>20,236,057</u>	<u>19,774,145</u>	<u>21,077,806</u>
13,868,223	14,041,923	13,388,830	13,619,980	13,120,439	12,392,517
7,266,377	7,175,923	7,067,228	6,919,963	6,582,930	6,098,782
2,683,320	2,746,641	2,494,186	2,740,754	2,707,769	22,633,497
1,488,279	1,427,598	1,408,910	1,381,239	1,297,337	1,631,748
3,774,104	3,135,358	2,857,630	3,234,225	3,002,659	2,975,492
-	-	9,418	68,397	201,297	-
<u>29,080,303</u>	<u>28,527,443</u>	<u>27,226,202</u>	<u>27,964,558</u>	<u>26,912,431</u>	<u>25,732,036</u>
<u>-6,359,779</u>	<u>(6,492,811)</u>	<u>(6,900,890)</u>	<u>(7,728,501)</u>	<u>(4,654,230)</u>	<u>(6,887,271)</u>
6,362,637	6,167,800	6,120,827	6,198,253	6,638,488	6,667,671
216,698	146,637	300,142	306,131	443,430	1,649,122
539,624	317,492	483,547	360,360	212,228	344,530
	282,581	250,967	317,025	665,179	530,507
(879,398)	(1,284,731)	(1,097,536)	(848,177)	(958,451)	(1,345,841)
<u>(312,018)</u>	<u>(228,814)</u>	<u>(221,384)</u>	<u>(216,855)</u>	<u>(228,414)</u>	<u>(196,410)</u>
<u>6,293,066</u>	<u>5,400,965</u>	<u>5,836,563</u>	<u>6,116,737</u>	<u>7,649,579</u>	<u>8,691,359</u>
(66,713)	(1,091,846)	(1,064,327)	(1,611,764)	(365,826)	2,995,349
<u>702,863</u>	<u>2,252,318</u>	<u>1,547,745</u>	<u>5,543,204</u>	<u>2,999,511</u>	<u>4,079,206</u>
<u>\$636,150</u>	<u>\$160,472</u>	<u>483,418</u>	<u>\$3,931,440</u>	<u>\$2,633,685</u>	<u>\$7,074,555</u>

SOUTH TAHOE PUBLIC UTILITY DISTRICT
Using **innovation** to **educate** and **conserve**.

NET POSITION BY COMPONENT

Last Ten Fiscal Years

	2017-18	2016-17	2015-16	2014-15	2013-14
Business-type activities					
Net investment in					
capital assets	\$167,524,271	\$172,100,162	\$173,966,035	\$169,814,512	\$172,911,935
Restricted for MTBE-					
related costs	-	-	-	-	-
Restricted for security					
deposits	165,000	165,000	165,000	165,000	275,000
Restricted for debt					
service payment	5,904,034	1,116,622	876,779	-	-
Restricted for capital					
purchases	3,000,000	3,000,000	464,523	463,113	4,089,561
Unrestricted	27,230,083	25,131,753	23,251,658	25,479,953	23,077,471
Total business-type activities					
net position	<u>\$203,823,388</u>	<u>\$201,513,537</u>	<u>\$198,723,995</u>	<u>\$195,922,578</u>	<u>\$200,243,967</u>
	2012-13	2011-12	2010-11	2009-10	2008-09
Business-type activities					
Net investment in					
capital assets	\$171,826,113	\$171,743,660	\$168,387,320	\$160,847,520	\$152,139,268
Restricted for MTBE-					
related costs	380,322	476,264	2,789,890	7,355,783	10,527,529
Restricted for security	275,000	275,000	275,000	275,000	275,000
Restricted for debt					
service payment	-	-	-	-	-
Restricted for capital					
asset purchases	-	-	-	-	-
Unrestricted	20,006,268	27,233,548	27,789,844	26,832,311	29,735,122
Total business-type activities					
net position	<u>\$199,607,817</u>	<u>\$199,725,472</u>	<u>\$199,242,054</u>	<u>\$195,310,614</u>	<u>\$192,676,929</u>

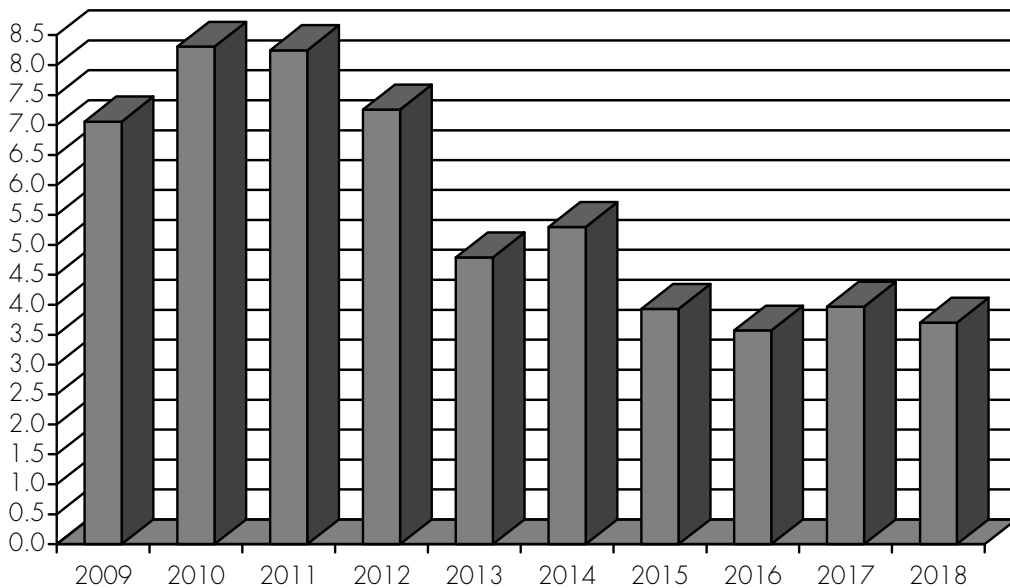
SOURCE: South Tahoe Public Utility District Finance Department

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

Fiscal Year	Delinquent Receivables	Delinquent Accounts	Annual Billing		Total Annual Delinquent	Delinquent Percent
			Sewer Charges	Water Charges		
2017-18	\$949,755	\$2,237	\$13,573,779	\$12,077,067	\$25,650,846	3.70
2016-17	953,924	2,148	11,981,860	10,375,104	24,054,288	3.97
2015-16	799,316	2,094	11,981,860	10,375,104	22,356,964	3.57
2014-15	828,367	2,201	11,243,512	9,804,814	21,048,326	3.93
2013-14	1,054,102	2,403	10,562,647	9,295,089	19,857,736	5.30
2012-13	953,197	2,630	10,590,758	9,314,346	19,905,104	4.79
2011-12	1,379,416	2,615	10,183,438	8,813,331	18,996,769	7.26
2010-11	1,554,328	2,748	9,890,813	8,953,161	18,843,974	8.25
2009-10	1,546,885	2,790	9,735,755	8,868,420	18,604,175	8.31
2008-09	1,333,697	2,738	9,723,796	9,170,093	18,893,889	7.06

SOURCE: South Tahoe Public Utility District Customer Service Department

Note: The District is pursuing collection of delinquent balances through the County Assessor's Office as an addition to the property tax rolls.



ANNUAL SEWER AND WATER RATES

Last Ten Fiscal Years

TYPICAL SINGLE FAMILY RESIDENCE (1)

Fiscal Year	Sewer	Water(3)	Total
2017-18	\$476.52	\$629.20	\$1,105.72
2016-17	\$449.52	\$590.80	\$1,040.32
2015-16	\$424.08	\$554.80	\$978.88
2014-15	\$400.08	\$521.00	\$921.08
2013-14	\$377.40	\$489.20	\$866.60
2012-13	\$377.40	\$489.20	\$866.60
2011-12	\$359.40	\$479.58	\$838.98
2010-11	\$348.96	\$479.58	\$828.54
2009-10	\$342.12	\$467.88	\$810.00
2008-09	\$342.12	\$467.88	\$810.00

TYPICAL COMMERCIAL METERED WATER RATE (2)

Fiscal Year	2" Meter Charge(3)	Consumption Charge Per 100 Cu. Ft.
2017-18	\$2,860.00	\$1.45
2016-17	\$2,684.00	\$1.36
2015-16	\$2,521.60	\$1.28
2014-15	\$2,367.80	\$1.20
2013-14	\$1,918.80	\$1.37
2012-13	\$1,918.80	\$1.37
2011-12	\$1,407.12	\$1.85
2010-11	\$965.39	\$2.26
2009-10	\$941.84	\$2.20
2008-09	\$941.84	\$2.20

ANNUAL SEWER PERMITS ISSUED

Last Ten Fiscal Years

RATE INCREASE HISTORY

Last Ten Fiscal Years

Fiscal Year	Number of Permits		
2017-18	104	5.00%	6.00%
2016-17	102	6.0%	6.5%
2015-16	82	6.0%	6.5%
2014-15	109	6.0%	6.5%
2013-14	96	0.0%	0.0%
2012-13	67	5.0%	2.0%
2011-12	50	3.0%	0.0%
2010-11	53	2.0%	2.5%
2009-10	62	0.0%	0.0%
2008-09	58	4.0%	4.0%

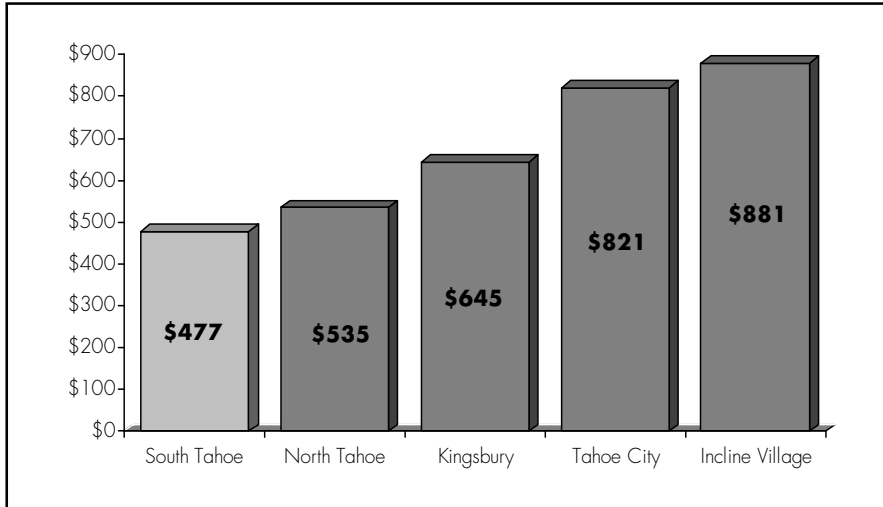
SOURCE: South Tahoe Public Utility District Customer Service Department

Notes:

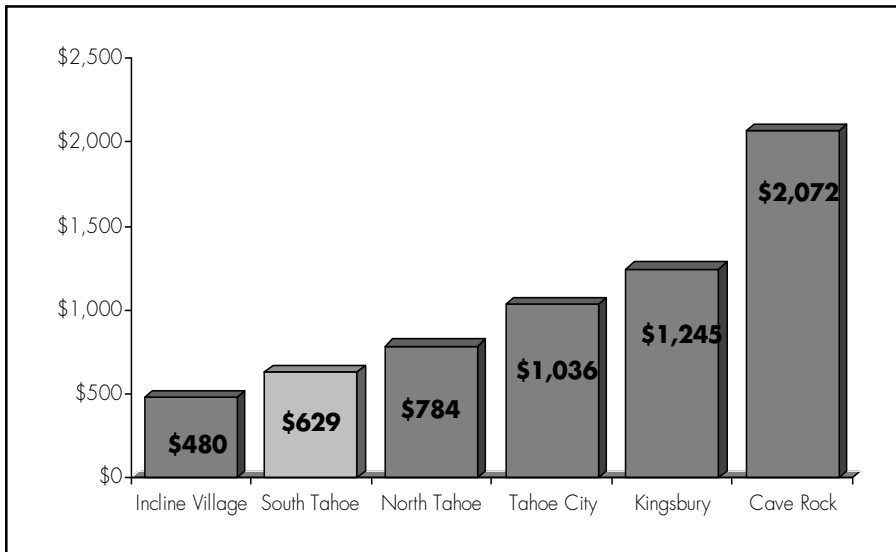
- (1) Most residential customers pay a flat rate for water and sewer. The sewer rate shown here is for a home with up to two bathrooms.
- (2) Most commercial customers pay metered water rates that include the meter charge based on the size of their water line plus a consumption charge based on water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

ANNUAL SERVICE FEE COMPARISON

2017-18 ANNUAL SEWER SERVICE FEE COMPARISON



2017-18 ANNUAL WATER SERVICE FEE COMPARISON



SOURCE: South Tahoe Public Utility District Finance Department.

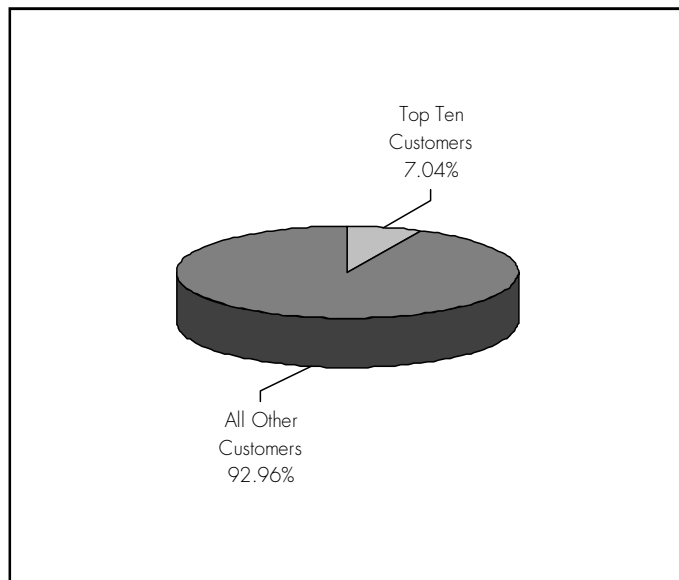
TEN LARGEST CUSTOMERS

Current Year and Nine Years Ago

Customer	2017-18			2008-09		
	Total Revenue	Rank	% of Service Charge	Total Revenue	Rank	% of Service Charge
City of South Lake Tahoe	260,615	1	1.02	95,903	7	0.51
Heavenly Mountain Resort	248,137	2	0.97	347,027	1	1.84
Lake Tahoe Unified School District	231,888	3	0.90	-	-	-
Marriott Grand Residence	181,985	4	0.71	221,828	2	1.17
Lake Tahoe Resort Partners (Embassy Vacation Resorts)	170,217	5	0.66		6	
Marriott Timberlodge	167,936	6	0.65	123,053	6	0.65
Tahoe Verde	154,650	7	0.60	157,370	3	0.83
Lake Tahoe Resort Hotel (Embassy Suites)	140,569	8	0.55	155,867	4	0.82
Barton Memorial Hospital	121,453	9	0.50	-	-	-
County of El Dorado	129,413	10	0.47	83,134	8	0.44
Tahoe Beach & Ski Club	-	-	-	67,884	9	0.36
	\$1,806,864		7.04%	\$1,451,508		7.68%

SOURCE: South Tahoe Public Utility District Customer Service Department

2017-18 TOTAL REVENUE



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

Type of Customer	2017-18	2016-17	2015-16	2014-15	2013-14
Residential	\$20,650,548	\$19,411,625	\$18,093,784	\$17,004,356	\$15,921,932
Motel/Hotel/ Timeshare	18,777,664	1,786,248	1,640,110	1,521,542	1,575,233
Commercial	2,242,846	2,039,569	1,870,480	1,827,546	1,709,822
Government	874,658	812,035	748,119	690,672	646,778
Industrial	5,130	4,811	4,471	4,210	3,971
	\$25,650,846	\$24,054,288	\$22,356,964	\$21,048,326	\$19,857,736

Type of Customer	2012-13	2011-12	2010-11	2009-10	2008-09
Residential	\$15,766,282	\$14,874,714	\$14,727,584	\$14,435,526	\$14,541,849
Motel/Hotel/ Timeshare	1,685,628	1,712,233	1,704,018	1,663,568	1,738,703
Commercial	1,822,487	1,844,508	1,851,064	1,885,331	2,055,314
Government	626,726	561,515	557,727	616,079	553,747
Industrial	3,981	3,799	3,581	3,671	4,276
	\$19,905,104	\$18,996,769	\$18,843,974	\$18,604,175	\$18,893,889

SOURCE: South Tahoe Public Utility District Customer Service Department

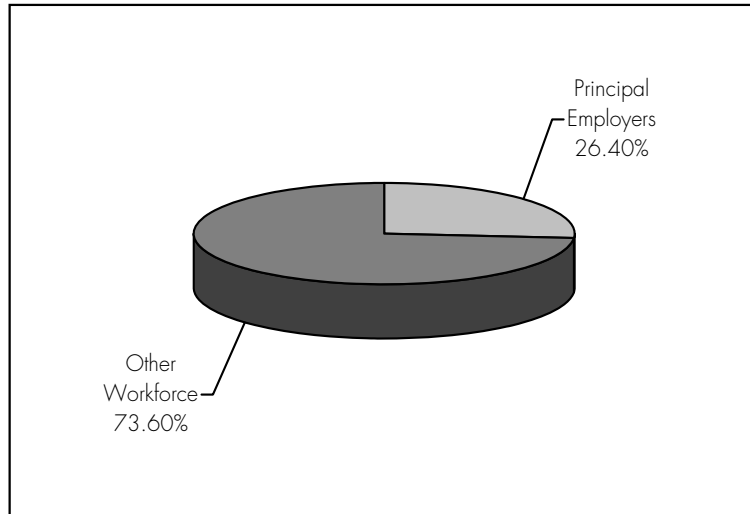
PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago

Employer	Type of Business	2017-18			2008-09		
		Number of Employees	Rank	% of Total Workforce	Number of Employees	Rank	% of Total Workforce
Barton Memorial Hospital	Health Services	867	1	7.4%	756	1	4.8%
Lake Tahoe Unified School District	Education	429	2	3.7%	384	2	2.4%
Heavenly Mountain Resort	Ski Industry	404	3	3.5%	312	3	2.0%
Lake Tahoe Community College	Education	271	4	2.3%	249	5	1.6%
Marriott Corporation	Lodging	250	5	2.1%	311	4	2.0%
El Dorado County	Government	243	6	2.1%	214	7	1.4%
City of South Lake Tahoe	Government	211	7	1.8%	212	8	1.3%
Lake Tahoe Resort Hotel	Lodging	167	8	1.4%	-	-	-
Raley's	Food/Drug	134	9	1.1%	192	9	1.2%
United States Forest Service	Government	122	10	1.0%	243	6	1.5%
South Tahoe Public Utility District	Utilities	-	-	-	116	10	0.7%
Subtotal		3,172		26.40%	2,989		18.90%
Total Workforce		11,660			15,752		

SOURCE: South Tahoe Public Utility District Finance Department

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

2017-18 TOTAL WORKFORCE



**PROPERTY TAX ASSESSMENTS AND LEVIES -
SEWER ENTERPRISE FUND**
Last Ten Fiscal Years (Value in Thousands)

Fiscal Year	SECURED Assessed		UNSECURED Assessed		TOTAL (1) Assessed		County Admin. Fee
	Valuation	Levy	Valuation	Levy	Valuation	Levy	
2017-18	\$6,902,397	\$7,586	\$108,688	\$119	\$7,011,085	\$7,705	(\$188)
2016-17	\$6,474,355	\$7,122	\$106,573	\$117	\$6,580,928	\$7,239	(\$172)
2015-16	\$6,168,633	\$6,785	\$104,789	\$115	\$6,273,422	\$6,900	(\$144)
2014-15	\$5,854,681	\$6,382	\$108,244	\$118	\$5,962,925	\$6,500	(\$117)
2013-14	\$5,625,443	\$6,075	\$108,508	\$117	\$5,733,951	\$6,192	(\$176)
2012-13	\$5,557,023	\$6,002	\$102,644	\$111	\$5,659,667	\$6,113	(\$182)
2011-12	\$5,636,704	\$5,950	\$102,857	\$108	\$5,739,561	\$6,058	(\$196)
2010-11	\$5,735,271	\$5,995	\$111,674	\$116	\$5,846,945	\$6,111	(\$181)
2009-10	\$6,175,232	\$6,354	\$129,755	\$133	\$6,304,987	\$6,487	(\$176)
2008-09	\$6,146,013	\$6,324	\$127,255	\$131	\$6,273,268	\$6,455	(\$168)

SOURCE: El Dorado County Auditor-Controller's Office

Note: El Dorado County uses the Teeter method of property tax distribution, therefore all levied taxes were remitted to the District.

**PROPERTY TAX RATES
ALL DIRECT AND OVERLAPPING GOVERNMENTS**
Last Ten Fiscal Years (Percent)

Government	2017-18	2016-17	2015-16	2014-15	2013-14
County General Levy	1.0000	1.0000	1.0000	1.0000	1.0000
Lake Tahoe Community College (1)	0.0218	0.0226	0.0240	-	-
Lake Tahoe Unified School District	0.0653	0.0634	0.0667	0.0667	0.0690
TOTAL	1.0871	1.0860	1.0907	1.0667	1.0690
Government	2012-13	2011-12	2010-11	2009-10	2008-09
County General Levy	1.0000	1.0000	1.0000	1.0000	1.0000
Lake Tahoe Community	-	-	-	-	-
Lake Tahoe Unified School District	0.0684	0.0542	0.0522	0.0452	0.0194
TOTAL	1.0684	1.0542	1.0522	1.0452	1.0194

SOURCE: California Municipal Statistics, Inc.

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

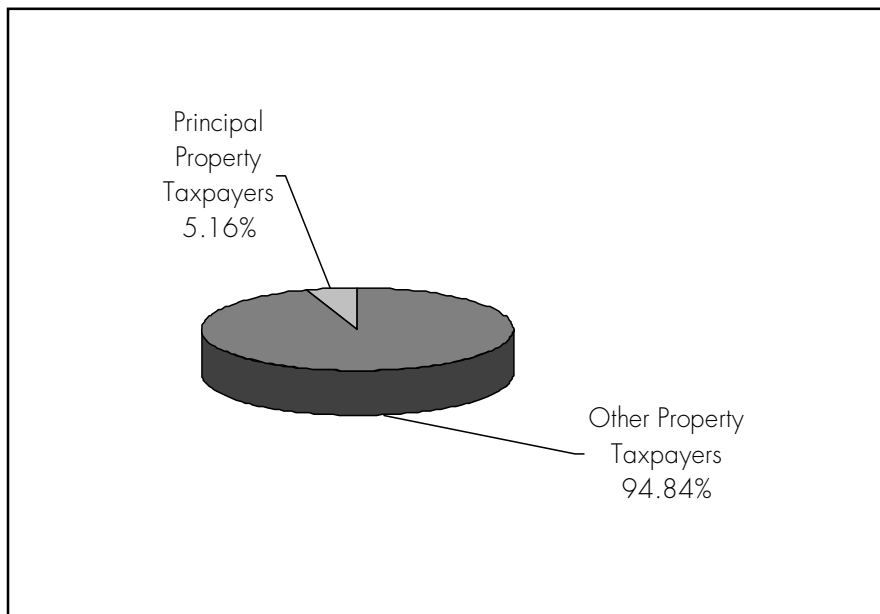
PRINCIPAL PROPERTY TAXPAYERS

Current Year and Nine Years Ago

Taxpayer	2017-18			2008-09		
	Taxable Assessed Value	Percentage of Total District Taxable Assessed		Taxable Assessed Value	Percentage of Total District Taxable Assessed	
		Rank	Value		Rank	Value
Heavenly Valley LP	\$72,000,325	1	1.04	\$66,237,372	2	1.07
First American Trust FSB	65,059,274	2	0.94	-	-	-
Roppongi-Tahoe LP	54,270,968	3	0.79	49,091,918	3	0.79
Trans-Sierra Investments	34,220,591	4	0.50	14,471,061	10	0.23
Tahoe Stateline Venture CA	25,809,887	5	0.37	-	-	-
Tahoe Crescent Partnership	25,635,722	6	0.37	20,316,688	5	0.33
Zalanta Resort at the Village	21,436,983	7	0.31	-	-	-
Marriott Ownership Resorts	20,114,518	8	0.29	40,057,202	4	0.65
South Tahoe Refuse Co. Inc.	19,934,312	9	0.29	-	-	-
Tahoe Verde Partnership	17,875,034	10	0.26	-	-	-
Lake Tahoe Development Co.	-	-	-	91,240,113	1	1.47
Lake Tahoe Resort Partners	-	-	-	19,519,786	6	0.31
Seven Springs LP	-	-	-	15,243,124	7	0.25
Robert and Lisa Maloff	-	-	-	15,156,951	8	0.24
Stardust Vacation Club	-	-	-	14,706,669	9	0.24
	\$356,357,614		5.16	\$346,040,839		5.58

SOURCE: California Municipal Statistics, Inc.

2017-18 TAXPAYERS



RATIOS OF OUTSTANDING DEBT BY TYPE (1)

Last Ten Fiscal Years

Business-

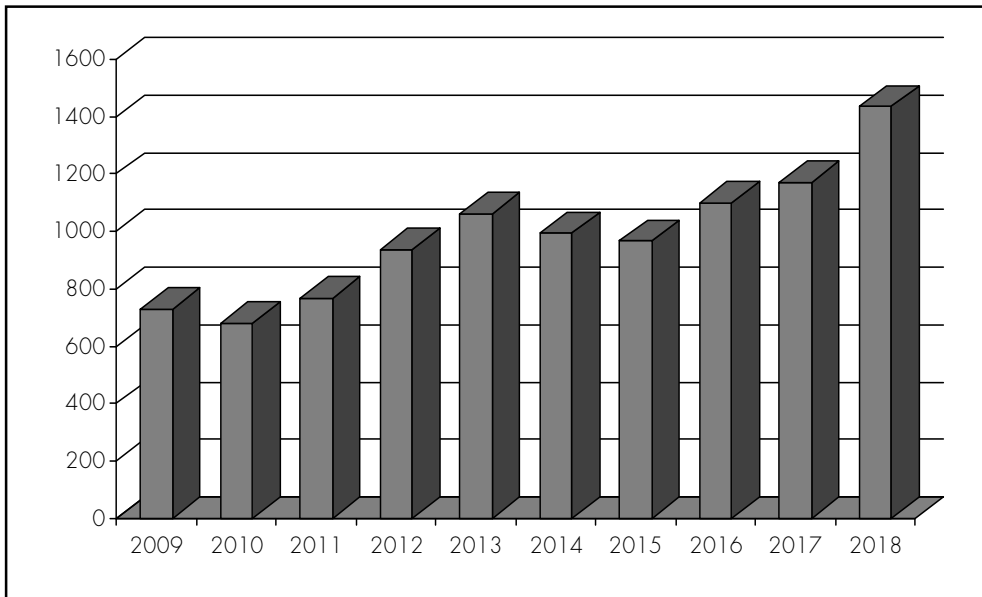
Fiscal Year	Water Revenue Bonds	Sewer Certificates of Participation	Term Loans	Total	Debt Per Capita(2)	Debt as a Share of Personal Income (2)
2017-18	\$ -	\$ -	\$53,223,059	\$53,223,059	\$1,434	4.54%
2016-17	-	-	42,295,812	42,295,812	1,171	3.83%
2015-16	-	-	39,338,901	39,338,901	1,097	3.84%
2014-15	-	-	35,444,404	35,444,404	966	3.51%
2013-14	-	-	35,963,588	35,963,588	993	3.54%
2012-13	-	-	38,633,753	38,633,753	1,062	3.89%
2011-12	2,075,821	10,275,000	21,336,503	33,687,324	934	3.45%
2010-11	2,693,216	10,925,000	14,161,846	27,780,062	774	3.00%
2009-10	3,290,610	11,555,000	11,327,157	26,172,767	732	2.81%
2008-09	3,863,004	12,165,000	11,857,073	27,885,077	729	2.68%

SOURCE: South Tahoe Public Utility District Finance Department

Notes:

- (1) Details regarding the District's outstanding debt can be found in Note 6 of the financial statements.
- (2) See the Demographics and Economic Statistics schedule on page 65 for population and per capita income data.

2017-18 DEBT PER CAPITA



PLEDGED REVENUE COVERAGE

Last Ten Fiscal Years

Sewer Enterprise Fund

Fiscal Year	Gross Revenues (3)	Less: Operating Expenses (1)	Net Available Revenues	Principal	Debt Service Interest (2)	Coverage Ratio(s) (4)
2017-18	23,244,489	15,735,964	7,508,525	2,031,980	637,204	2.8
2016-17	22,512,242	15,296,972	7,215,270	1,836,864	736,032	2.8
2015-16	20,627,606	12,902,928	7,724,678	1,790,323	687,405	3.1
2014-15	20,135,965	13,293,338	6,842,627	1,744,996	715,378	2.8
2013-14	19,228,580	13,318,177	5,910,403	1,754,718	786,223	2.3
2012-13	17,942,987	13,303,166	4,639,821	1,202,950	860,323	2.2
2011-12	17,299,509	12,653,254	4,646,255	1,266,372	1,129,094	1.9
2010-11	17,355,946	13,314,085	4,041,861	992,767	900,181	2.1
2009-10	17,588,600	12,813,050	4,775,550	958,001	944,510	2.5
2008-09	18,879,041	11,917,131	6,961,910	928,837	980,134	3.6

Water Enterprise Fund

Fiscal Year	Gross Revenues(3)	Less: Operating Expenses (1)	Net Available Revenues	Principal	Debt Interest (2)	Coverage Ratio(s) (4)
2017-18	14,460,556	10,375,781	4,084,775	776,580	153,671	4.4
2016-17	12,760,559	9,370,372	3,390,187	622,261	145,893	4.4
2015-16	11,950,279	9,000,093	2,950,186	608,372	154,690	3.9
2014-15	11,677,991	8,741,703	2,936,288	1,099,223	169,568	2.3
2013-14	10,976,426	8,807,867	2,168,559	1,630,817	200,218	1.2
2012-13	11,006,155	8,279,033	2,727,122	801,007	194,085	2.7
2011-12	10,181,286	7,727,104	2,454,182	868,357	204,168	2.3
2010-11	10,061,880	7,947,365	2,114,515	837,336	253,373	1.9
2009-10	10,144,870	7,744,865	2,400,005	801,913	277,603	2.2
2008-09	11,390,595	7,912,533	3,478,062	767,054	312,143	3.2

SOURCE: South Tahoe Public Utility District Finance Department

Notes:

- (1) Excludes depreciation and amortization. Includes other nonoperating expenses.
- (2) Interest expense includes both amounts expensed and capitalized.
- (3) See Note 6 to the Financial Statements for details on the revenue pledges for each debt obligation.
- (4) Most of the District's covenants require at least a 1.2 coverage ratio.

SOUTH TAHOE PUBLIC UTILITY DISTRICT
Using **innovation** to **educate** and **conserve**.

CAPITAL SPENDING

Last Ten Fiscal Years

Fiscal Year	Total	Sewer Enterprise Fund	Water Enterprise Fund
2017-18	\$14,882,937	\$5,383,918	\$9,499,019
2016-17	11,047,443	8,156,650	2,890,793
2015-16	15,588,259	11,528,126	4,060,133
2014-15	8,768,885	2,076,692	6,692,193
2013-14	7,959,385	2,436,062	5,523,323
2012-13	6,141,142	3,777,444	2,363,698
2011-12	15,335,954	10,117,597	5,218,357
2010-11	16,143,981	6,968,467	9,175,514
2009-10	13,780,961	3,642,667	10,138,294
2008-09	15,337,413	8,150,094	7,187,319
	\$124,986,359	\$62,237,717	\$62,748,642

SOURCE: South Tahoe Public Utility District Finance Department

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

Last Eight Fiscal Years

Fiscal Year	Sewer Lines (miles)	Sewer Treatment Capacity (million gallons)	Water Lines (miles)	Fire Hydrants	Water Storage Capacity
2017-18	339	7.7	254	1,899	9.3
2016-17	336	7.7	254	1,854	9.3
2015-16	336	7.7	254	1,806	9.3
2014-15	336	7.7	254	1,737	9.3
2013-14	336	7.7	254	1,723	9.3
2012-13	336	7.7	254	1,693	9.3
2011-12	336	7.7	253	1,672	9.3
2010-11	336	7.7	253	1,656	9.3
2009-10	313	7.7	251	1,653	9.2

SOURCE: South Tahoe Public Utility District Engineering Department

Note: The District began collecting this data in fiscal year 2009-10.

DETAIL OF CAPITAL SPENDING

Fiscal Year Ending June 30, 2017

Project Description	Spending 2017-18	Spending To 6-30-18	Completion Date
Sewer Projects:			
C-Line Re-Routing/Energy Generation	\$ -	\$ 425,639	In progress
DVR Irrigation Improvements Project	945,417	11,053,861	In progress
BMP Projects	-	174,936	In progress
Treatment Plant Generator	438,290	1,035,929	In progress
Luther Pass Pump Station Power Control Update	681,625	6,205,326	2/28/2018
Recycled Water Master Plan/Env. Impact	-	2,065,516	In progress
Concrete Coating Rehab Projects	-	187,101	In progress
Tahoe Keys Sliplining Project	130,284	130,284	11/30/2017
Aeration Basin 2 Rehab	277,054	1,282,264	2/28/2018
Primary Clarifier #1 Rehab	514,943	829,730	2/28/2018
Various Purchases/Projects Completed	1,463,685	1,635,464	Various
Various Projects in Progress	932,620	2,402,782	In progress
Total Sewer Projects	\$5,383,918	\$27,428,833	
Water Projects:			
Fire Hydrants Project 2017	\$ 836,463	\$ 993,807	6/30/2018
Water Meters Projects Phase 3	3,342,881	3,787,723	2/28/2018
Water Meters Projects Phase 4	2,067,304	2,067,304	In progress
BMP Projects	-	201,518	In progress
Keller-Heavenly System Improvements	204,092	505,720	In progress
Water System Optimization Plan	-	484,518	In progress
Automated Meter Infrastructure	416,900	416,900	2/28/2018
Ponderosa Waterline Replacement Project	1,318,024	1,423,396	6/30/2018
Marlette Waterline Replacement Project	322,834	373,481	In progress
Flagpole Tank Rehab	235,176	270,012	11/30/2017
Various Purchases/Projects Completed	547,526	594,212	Various
Various Projects in Progress	207,819	379,091	In progress
Total Water Projects	\$ 9,499,020	\$11,497,683	
Total All Projects	\$14,882,938	\$38,926,516	

SOURCE: South Tahoe Public Utility District Finance Department

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

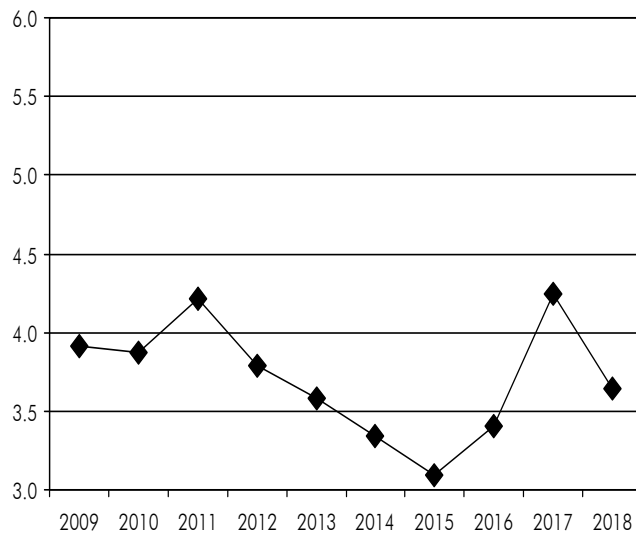
WASTEWATER FLOWS

Last Ten Fiscal Years
(In million gallons)

Monthly Flow	17-18	16-17	15-16	14-15	13-14	12-13	11-12	10-11	09-10	08-09
July	137	120	113	121	125	127	148	135	140	143
August	119	106	104	112	115	117	130	124	130	134
September	102	91	89	91	98	100	110	109	113	112
October	92	90	83	85	91	92	104	103	105	106
November	97	87	81	81	85	92	99	100	97	100
December	109	117	103	98	103	122	110	141	114	115
January	108	155	112	97	98	120	110	135	120	123
February	96	183	113	90	104	107	105	119	112	108
March	125	164	129	90	107	119	126	144	124	131
April	122	165	104	81	95	101	118	153	120	113
May	109	147	106	87	97	103	111	137	119	121
June	113	129	104	94	102	107	113	137	117	119
Total Annual Flow	1,329	1,555	1,241	1,127	####	1,307	1,384	1,537	1,411	1,425
Average Monthly Flow	111	130	103	94	102	109	115	128	118	119
Average Daily Flow	3.64	4.25	3.40	3.09	3.34	3.58	3.79	4.21	3.87	3.90

SOURCE: South Tahoe Public Utility District Laboratory Department

AVERAGE DAILY WASTEWATER FLOW TREND



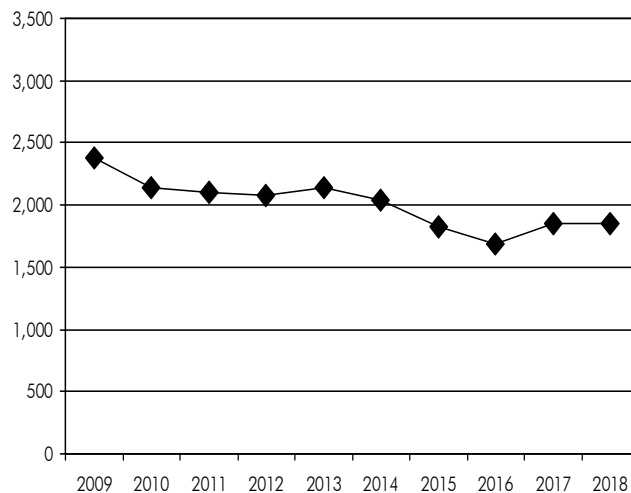
WATER PRODUCTION

Last Ten Fiscal Years
(In million gallons)

Monthly Production	17-18	16-17	15-16	14-15	13-14	12-13	11-12	10-11	09-10	08-09
July	284	264	207	279	285	306	285	329	329	361
August	249	257	218	241	273	296	289	320	307	355
September	179	206	189	212	224	240	232	267	268	294
October	125	121	130	142	140	160	139	147	147	178
November	91	96	102	97	99	104	107	120	122	116
December	122	130	124	117	144	128	132	138	157	152
January	112	113	104	129	129	138	122	127	136	141
February	105	95	93	99	99	107	101	105	99	111
March	106	104	98	99	98	104	99	113	106	110
April	97	94	91	102	111	114	107	99	100	111
May	153	146	126	129	185	198	210	133	128	209
June	225	230	209	181	249	240	251	203	244	243
Annual Total	1,847	1,857	1,691	1,827	2,036	2,135	2,074	2,101	2,143	2,381
Average Monthly Water Production	154	155	141	152	170	178	173	175	179	198
Average Daily Water Production	5.06	5.07	4.63	5.01	5.58	5.85	5.68	5.76	5.87	6.52

SOURCE: South Tahoe Public Utility District Laboratory Department

ANNUAL WATER PRODUCTION TREND



DEMOGRAPHIC STATISTICS

Last Ten Years

Fiscal Year (5)(8)	District Workforce	Total Workforce So. Lake Tahoe (4)	Unemployment So. Lake Tahoe (4)(7)	School Enrollment (3)(9)	District Population (1)(2)	Per Capita Income (6)	Personal Income (in thousands) (6)
2017-18	119	11,660	4.30%	3,906	37,126	\$31,544	\$1,171,107
2016-17	119	11,711	5.30%	3,951	36,176	\$30,566	\$1,104,411
2015-16	116	11,791	6.10%	3,996	36,119	\$28,565	\$1,023,998
2014-15	109	11,762	5.90%	3,881	35,768	\$27,555	\$1,010,690
2013-14	110	14,931	10.03%	3,855	36,358	\$28,058	\$1,016,036
2012-13	111	15,096	11.44%	3,793	36,233	\$27,341	\$994,201
2011-12	111	15,379	14.20%	3,858	36,177	\$27,047	\$978,479
2010-11	113	15,247	16.47%	3,878	35,900	\$25,808	\$926,507
2009-10	115	15,684	17.10%	3,966	35,769	\$26,064	\$932,283
2008-09	116	15,752	16.02%	4,076	38,275	\$27,135	\$1,038,592

SOURCES:

- (1) California Department of Finance for city residents
- (2) South Tahoe Public Utility District Finance Department estimate (represents the Montgomery Estates Tahoe Paradise, Meyers, Angora Highlands, Fallen Leaf Lake, and Christmas Valley portions of El Dorado County) using the most recent census data
- (3) Lake Tahoe Unified School District
- (4) California Employment Development Department
- (5) South Tahoe Public Utility District Human Resources Department
- (6) Adjusted prior year per capita income by June 30 small west coast cities CPI.

Notes:

- (7) Figures are not seasonally adjusted
- (8) All workforce figures are based on full-time equivalents
- (9) Declining school enrollment is due to increases in home ownership by part-time residents

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