

SQUAW VALLEY PUBLIC SERVICE DISTRICT

OLYMPIC VALLEY, CALIFORNIA

BASIC FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITORS' REPORT

For the Year Ended

June 30, 2014

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Table of Contents

For the Year Ended June 30, 2014

	<u>Page</u>
Management's Discussion and Analysis (Required Supplementary Information – Unaudited)	3 - 10
Independent Auditors' Report	11-13
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Position	14 – 15
Statement of Activities and Changes in Net Position:	
Government-Wide	16 – 18
Business-Type Activities	19 – 21
Statement of Cash Flows	22 – 23
Fund Financial Statements	
Balance Sheet	24 – 25
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	26
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Governmental Fund (Fire)	27 – 28
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of the Governmental Fund to the Statement of Activities	29
Statement of Revenues, Expenses, and Changes in Fund Net Position - Budget and Actual - Proprietary Fund (Utility)	30 – 32
Notes to the Financial Statements	33 – 53
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	54-56

**SQUAW VALLEY PUBLIC SERVICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING JUNE 30, 2014**

As management of the Squaw Valley Public Service District, we are offering a brief narrative overview of the financial activities of the District for the fiscal year ending June 30, 2014. All information presented here should be read in conjunction with the District's audited financial statements following this section.

Financial Highlights

- ✓ Total current assets exceeded total liabilities by \$2,629,000.
- ✓ Total net position decreased by \$100,000 this year.
- ✓ Of the total net position, \$898,000 is restricted and must be used only for specific purposes, \$3,666,000 is unrestricted and available for replacement of fixed assets, and \$36,000 is unrestricted but dedicated to future obligations.
- ✓ Property tax revenues increased this year by \$21,000 from 2012-13, about 0.7%.

Major projects this year included:

- Significant repairs to fix water main leaks were performed at the S-Curve and Stables location, in addition to the rehabilitation and repair of Wells #1R and #3.
- Sewer TV inspection continues and a four-year program is approximately 50% completed.
- Research and feasibility planning continues for a Redundant Water Supply for the valley.
- Construction-ready plans and specifications are being prepared for a SVPSD-Mutual Water Company system intertie.
- Staff continues to work with Squaw Valley Real Estate to prepare a Water Supply Assessment, Environmental Impact Report (EIR), and a Development Agreement for the proposed Village at Squaw project.
- The District continues to receive funding to provide snow removal services on the Squaw Valley Bike Path.
- Implementation of VUEWorks Work Order and Asset Management software continues with improvements to the District's GIS.
- Work is being performed to replace and relocate 300 feet of the sewer line running underneath the Aspens Condominiums' tennis courts.
- The District is developing a SCADA Master Plan to overhaul the aging systems presently used to monitor wells, tanks, and other water/sewer system appurtenances throughout the District.

**SQUAW VALLEY PUBLIC SERVICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING JUNE 30, 2014**

Overview of the Financial Statements

This section is intended to serve as an introduction to the District's basic financial statements comprised of: 1) government-wide financial statements 2) notes to the financial statements, and 3) fund financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS are designed to provide readers with a broad overview of the District's finances relating to government activities in a manner similar to a private-sector business. Governmental activities and enterprise activities are reported separately.

Governmental Activities - The governmental activities of the District include the Fire Department. They outline functions of the District principally supported by property taxes and connection fees, interest, and grant-program funds. All Fire Protection Fees are restricted by law to specific reserve funds in order to finance improvement and/or construction of capital assets. Other funds can be designated by the Board to be used for asset replacement or specific projects. Unrestricted funds may be designated, by the Board, to be used for any District activity.

Enterprise Activities - The District charges fees to its water, sewer and garbage customers that are intended to recover all or a significant portion of operating costs for services provided. Unused service fees are generally assigned to the Fixed Asset Replacement Reserves and thus stabilizing future rates. Unused property tax revenues are generally used to subsidize current rates of both water and sewer customers.

- ✓ The **STATEMENT OF NET POSITION** presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in the net position is a good indicator of whether the District is financially healthy or deteriorating.
- ✓ The **STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION** presents information showing how District net assets changed during the recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs regardless of the timing of related cash flows. Some revenues and expenses reported in this statement may result in cash flows to future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).
- ✓ The **STATEMENT OF CASH FLOWS** provides information on the District's cash receipts, cash payments, and changes in cash resulting from operations, investments, and financing activities.

NOTES TO THE FINANCIAL STATEMENTS provide additional commentary essential to a full understanding of the data provided in the government-wide and fund financial statements.

**SQUAW VALLEY PUBLIC SERVICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING JUNE 30, 2014**

FUND FINANCIAL STATEMENTS

The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives.

Governmental Funds are used to account for essentially the same functions reported as governmental activities with focus on the *fiscal year inflow and outflows of spendable resources*.

Proprietary Funds are used to report the enterprise activities of the District. These activities include water, sewer, and garbage contract services.

FINANCIAL ANALYSIS OF THE DISTRICT

The analysis below focuses on the net position and changes in net position of the District's governmental and enterprise activities. This presentation includes a prior-year comparative analysis of government-wide financial data.

Statement of Activities and Change in Net Position (in thousands)

	Governmental Activities (Fire)		Enterprise Activities (Utility)		Total		\$ Change	% Change
	2013	2014	2013	2014	2013	2014		
Program Revenues	38	23	2,258	2,615	2,296	2,638	342	14.9%
General Revenues								
Property Tax	2,599	2,627	284	277	2,883	2,904	21	0.7%
Grants	21	-	-	110	21	110	89	423.8%
Other	10	14	153	185	163	199	36	22.1%
Total Revenues	2,668	2,664	2,695	3,187	5,363	5,851	488	9.1%
Expenses	2,588	2,673	2,835	3,278	5,423	5,951	528	9.7%
Increase (Decrease) in Net Position	80	(9)	(140)	(91)	(60)	(100)	(40)	66.7%

Total change in Net Position decreased \$40,000 from last year. Total Enterprise Revenues increased \$492,000, or 18.3%, resulting from increases in water, sewer, and garbage base rates, in addition to ancillary fees from facility rentals, snow removal, and project administrative fees. Tax revenues continue to rebound, rising \$21,000, or 0.7%. Connection Fees increased \$41,000, or 48%, showcasing the return of new building construction and remodeling after the recent economic recession. Additional grant funded projects for the Stream Aquifer Interaction Study, Redundant Water Supply, and SV-Mutual Intertie have contributed an additional \$110,000.

Although revenues have increased 9.1%, they are offset by a 9.7% increase in expenditures. Notable changes include an 11.2% increase in employee compensation and benefits, mostly resulting from new staff changes and post-retirement benefits. Vehicle repairs and maintenance increased 40.3% to maintain the District's aging fleet in good working order.

**SQUAW VALLEY PUBLIC SERVICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING JUNE 30, 2014**

Statement of Net Position (in thousands)

	Governmental Activities (Fire)		Enterprise Activities (Utility)		Total		\$ Change	% Change
	2013	2014	2013	2014	2013	2014		
Current Assets	1,088	1,229	4,458	4,733	5,546	5,962	416	7.5%
Noncurrent Assets	5,465	5,290	10,952	10,673	16,417	15,963	(454)	-2.8%
Total Assets	6,553	6,519	15,410	15,406	21,963	21,925	(38)	-0.2%
Deferred Outflow of Resources	-	-	11	10	11	10	(1)	-9.1%
Current Liabilities	403	343	1,852	1,775	2,255	2,118	(137)	-6.1%
Long-term Debt	495	530	522	685	1,017	1,215	198	19.5%
Total Liabilities	898	873	2,374	2,460	3,272	3,333	61	1.9%
Net Position:								
Net Investment in Capital Assets	4,891	4,796	9,333	9,206	14,224	14,002	(222)	-1.6%
Restricted	150	173	688	725	838	898	60	7.2%
Unrestricted	614	677	3,026	3,025	3,640	3,702	62	1.7%
Total Net Position	5,655	5,646	13,047	12,956	18,702	18,602	(100)	-0.5%

Total Current Assets have increased \$416,000, or 7.5% from the prior year. Cash and Cash Equivalents have increased \$310,000, mostly as retention from ad valorem tax revenues. The District retains mostly liquid funds in pooled conservative investment accounts with Placer County Investment Funds, Placer County Revenue Funds, or the Local Agency Investment Funds. These funds are transferred into the daily operating accounts only when needed, in order to allow the maximum generation of interest income.

Accounts Receivable has increased significantly by \$135,000, or 177.9%. This is mostly the result of accelerated pass-through billing for various development projects in the District, particularly with Squaw Valley Real Estate, the Resort at Squaw Creek, and Olympic Estates. \$21,500 in delinquent service fees were submitted to Placer County for collection on the 2014-2015 property tax rolls, which is a 7.9% increase from the prior year. These delinquencies total less than 1% of the total billed revenue.

Net non-current assets (fixed assets) have decreased by \$454,000 from the previous year, mostly as a result of depreciation offsetting investments into fixed assets. This can be interpreted that the District's infrastructure is beginning to age quicker than it is being repaired and/or replaced. Capital investment will need to be accelerated to provide adequate reserves to fund the repair and/or replacement of these aging assets.

Current Liabilities have increased \$198,000 from the prior year, mostly the result of timing in accrued payroll liabilities for overtime resulting from emergency repairs of the S-Curve water main occurring during the last payroll cycle of the fiscal year. Accounts payable has also increased \$47,000, also a result of timing from expenditures related to the S-Curve emergency repair, in addition to an influx of consultant invoices which will mostly be reimbursed from developers in the District. Customer deposits have increased \$43,000, mostly related to security for new developments.

**SQUAW VALLEY PUBLIC SERVICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING JUNE 30, 2014**

Net Long Term Liabilities have decreased by \$137,000. The District continues to pay-off its long-term debt obligation for its administration and fire headquarters (maturing in 2028), and the corresponding land (maturing in 2016), collectively a reduction of \$245,000 from the prior fiscal year. Post-retirement health benefits have increased \$108,000 from the prior year, which is a result of actuarial impacts on staff's demographics, in addition to ongoing government accounting changes in recognition of deferred outflows.

During the fiscal year, The District had a cash surplus of \$310,000, which was 44.9% less than the prior year's cash surplus of \$554,000. This \$244,000 year-over-year reduction is mostly associated to a \$210,000 greater investment in capital assets, a \$52,000 increased spending on operating activities, offset by an increase in ad valorem tax revenue of \$21,000.

The District continues to maintain a healthy Current Ratio of 4.9:1 (Current Assets against Current Liabilities), which has decreased from the prior year from 5.5:1. This change against the prior year is mostly resulted from the weighting and timing of the influx of accounts payables and accrued payroll relating to the S-Curve water main emergency repairs, as noted above. Total Cash & Cash Equivalents against Total Liabilities remains a healthy 1.72:1, a slight increase from 1.66:1 in the prior year. The District's cash and liquidity position still remains strong, and is poised to address any immediate catastrophic repair and/or replacement of key assets and infrastructure.

Even though the District's cash position remains strong, reserves should continue to be allocated into fixed asset replacement funds for anticipated replacement and/or repair of the District's aging infrastructure. Mostly as a result of poor economic conditions and a reduction of ad valorem tax revenues in recent years, budgeted allocations and surpluses have been materially reduced, causing potential adverse exposure to the sustainability of the District's infrastructure. One key financial ratio to monitor is Purchase of Capital Assets to Depreciation Expense. As a mature organization, and as most of the originally installed infrastructure begins to near the end of its estimated useful life, this financial ratio should average near 1:1 over a 5-year rolling basis. In the fiscal year ending 2014 this ratio was 1:1.74, in the fiscal year ending 2013 this ratio was 1:2.74, and over the past rolling 5 fiscal years this ratio was 1:1.42. Therefore, additional funding should be considered in future budget allocations towards the fixed asset replacement funds to build adequate reserves and avoid any unnecessary future special assessments or material rate increases.

Fiscal Year Ending	Purchase of Capital Assets	Depreciation Expense	Ratio
2014	590,000	1,030,000	1 : 1.75
2013	380,000	1,042,000	1 : 2.74
2012	975,000	978,000	1 : 1.00
2011	558,000	1,003,000	1 : 1.80
2010	1,046,000	988,000	1 : 0.94
Total	3,549,000	5,041,000	1 : 1.42

In an effort to improve financial transparency, staff has begun posting estimated depreciation expense on a monthly basis. In prior years, the full year's depreciation was not posted until the year-end reconciliation process, performed by Gibson & Company as a "period 13" adjustment. Furthermore, staff is recommending changing the budgeting process to include estimated annual depreciation expenses, which was not considered in prior budget years.

**SQUAW VALLEY PUBLIC SERVICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING JUNE 30, 2014**

General Fund Balances - 5 Year Comparison of Funds Available for Capital Project:

(in thousands)	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Water Capital					
Beginning Balance	196	338	331	392	441
Increases	142	8	63	64	100
Decreases	-	(15)	(2)	(15)	(15)
Ending Balance	338	331	392	441	526
Sewer Capital					
Beginning Balance	16	-	-	-	7
Increases	6	2	5	7	6
Transfer from Sewer Fixed Assets	13	13	74	-	15
Decreases	(35)	(15)	(79)	-	(28)
Ending Balance	-	-	-	7	-
Inflow & Infiltration Capital					
Beginning Balance	306	274	270	274	241
Increases	13	9	11	11	10
Decreases	(45)	(13)	(7)	(44)	(51)
Ending Balance	274	270	274	241	200
Garbage Capital					
Beginning Balance	169	178	184	192	195
Increases	9	6	8	3	3
Decreases	-	-	-	-	(13)
Ending Balance	178	184	192	195	185
Water Fixed Assets					
Beginning Balance	1,520	1,453	1,081	57	254
Increases	257	167	61	237	78
Decreases	(324)	(539)	(1,085)	(40)	(163)
Ending Balance	1,453	1,081	57	254	169
Sewer Fixed Assets					
Beginning Balance	2,903	2,731	2,876	2,628	2,576
Increases	243	203	102	215	113
Transfer to Sewer Capital	(13)	(13)	(74)	-	(16)
Decreases	(402)	(45)	(276)	(267)	(33)
Ending Balance	2,731	2,876	2,628	2,576	2,640
Fire Protection Funds					
Beginning Balance	93	116	123	134	151
Increases	23	7	11	17	22
Decreases	-	-	-	-	-
Ending Balance	116	123	134	151	173
Fire Fixed Assets					
Beginning Balance	266	325	387	218	387
Increases	161	115	85	191	100
Decreases	(102)	(53)	(254)	(22)	(41)
Ending Balance	325	387	218	387	446

**SQUAW VALLEY PUBLIC SERVICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING JUNE 30, 2014**

Economic Factors and Financial Outlook for FY 2014-15

As the national economy continues to recover, so do the economies for the State, the region, and the District. The economic factors influencing the District's financial position during the 2014-15 fiscal year parallel some common indicators and predictions for the health of the national economy. Current conditions in the housing market continue to improve with home purchases increasing, inventories shrinking, and prices rising. These real estate sales directly impact the District's balance sheet through increases in ad valorem tax revenues. Increasing home-starts, an improving state unemployment rate (7.4% in August 2014), low interest rates, and tame inflation indicators further support a recovering economic outlook.

Resulting from the aforementioned economic improvements, the total assessed values within District boundaries increased \$26.6 million or 2.3% increase to \$1.167 billion in 2014-15, from \$1.140 billion in 2013-14. The District's resulting estimated net ad valorem tax revenue is expected to be \$3,032,000 a \$128,000 or 4.4% increase from the \$2,904,000 net received in 2013-14.

The Public Employees' Pension Reform Act became law January 1, 2013 and is expected to result in significant long term savings in the costs for employee benefits. The law grandfathers existing employees and members of CalPERS, so the savings will only be realized as current staff is replaced through attrition.

The District plans to continue annual payment of its long-term debt associated with the land acquisition and construction of our Administrative Facility and Firehouse. The District expects to continue funding its Fixed Asset Replacement Funds, which helps preclude the need for debt financing and benefit assessments in the future.

Management expects greater workloads to staff and increased consulting fees in response to proposed development in the valley. If the proposed development is pursued and completed, increased revenues in future years can be expected.

The District plans to follow and update as needed its five-year Strategic Plan, approved by the Board in April 2012, and updated annually thereafter. It includes a renewed vision on the District's direction moving forward and a work plan to implement it. The Plan re-commits the District to provide high-quality and efficient service delivery.

This section of the MD&A was prepared on November 10, 2014.

**SQUAW VALLEY PUBLIC SERVICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING JUNE 30, 2014**

Request for Information

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Mike Geary, General Manager, Squaw Valley Public Service District, P.O. Box 2026, Olympic Valley, CA 96146. The entire report is available online at www.svpsd.org.

M^cCLINTOCK ACCOUNTANCY CORPORATION

ROBERT J. M^cCLINTOCK, CPA
MICHAEL R. GRIESMER, CPA
ALICE HAHN

SHARON FERREIRA, CPA
KENDALL GALKA, CPA

305 WEST LAKE BOULEVARD
P. O. Box 6179
TAHOE CITY, CA 96145
TELEPHONE: 530-583-6994
FAX: 530-583-5405

17400 NORTHWOODS BLVD.
BUILDING B, SUITE 105
P. O. Box 2468
TRUCKEE, CA 96160
TELEPHONE: 530-587-9221
FAX: 530-587-4946

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Squaw Valley Public Service District

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Squaw Valley Public Service District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' 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 auditors' 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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Squaw Valley Public Service District, as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As further discussed in Note 1 to the Financial Statements, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68, *Accounting and Financial Reporting for Pension Plans*. This statement requires state and local government agencies to display the actuarially determined Net Pension Liability in its financial statements effective with fiscal year 2014-2015. This Net Pension Liability is expected to be substantial.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-10 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2014, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance

McClintock Accountancy Corporation

McCLINTOCK ACCOUNTANCY CORPORATION

Tahoe City, California

November 21, 2014

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Statement of Net Position

June 30, 2014

	<u>Assets</u>		
	<u>Primary Government</u>		<u>Total</u>
	<u>Governmental Activities (Fire)</u>	<u>Business-Type Activities (Utility)</u>	
Current Assets			
Cash (Note 2)	\$ 43,165	211,078	254,243
Investments (Note 2)	1,177,564	4,304,538	5,482,102
	<u>1,220,729</u>	<u>4,515,616</u>	<u>5,736,345</u>
Receivables			
Service fees	-0-	56,410	56,410
Interest	751	4,276	5,027
Other	-0-	151,105	151,105
Total Receivables	<u>751</u>	<u>211,791</u>	<u>212,542</u>
Less allowance for doubtful accounts	-0-	(1,500)	(1,500)
Net receivables	<u>751</u>	<u>210,291</u>	<u>211,042</u>
Prepaid expenses and other assets	<u>7,732</u>	<u>6,626</u>	<u>14,358</u>
Total Current Assets	<u>1,229,212</u>	<u>4,732,533</u>	<u>5,961,745</u>
Noncurrent Assets			
Capital assets, at cost (Note 3)	7,623,796	24,963,569	32,587,365
Less accumulated depreciation (Note 3)	<u>(2,560,251)</u>	<u>(14,064,021)</u>	<u>(16,624,272)</u>
Net capital assets	5,063,545	10,899,548	15,963,093
Inter-activity balances (Note 16)	226,494	(226,494)	-0-
Total Noncurrent Assets	<u>5,290,039</u>	<u>10,673,054</u>	<u>15,963,093</u>
Total Assets	<u>\$ 6,519,251</u>	<u>15,405,587</u>	<u>21,924,838</u>
Deferred Outflow of Resources			
Note discount and issue costs	<u>-0-</u>	<u>10,176</u>	<u>10,176</u>

(Continued)

The accompanying notes are an integral part of these statements.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Statement of Net Position

June 30, 2014

Liabilities and Net Position

	<u>Primary Government</u>		<u>Total</u>
	<u>Governmental Activities (Fire)</u>	<u>Business-Type Activities (Utility)</u>	
Liabilities			
Current Liabilities			
Accounts payable	\$ 32,829	129,124	161,953
Accrued liabilities	412,005	395,974	807,979
Current portion of long-term debt (Note 4)	<u>85,000</u>	<u>159,842</u>	<u>244,842</u>
Total Current Liabilities	529,834	684,940	1,214,774
Noncurrent Liabilities			
Postemployment health benefits (Note 13)	160,969	240,884	401,853
Long-term debt (Note 4)	<u>182,500</u>	<u>1,533,796</u>	<u>1,716,296</u>
Total Noncurrent Liabilities	343,469	1,774,680	2,118,149
Total Liabilities	873,303	2,459,620	3,332,923
Net Position			
Net investment in capital assets	4,796,045	9,205,910	14,001,955
Restricted (Note 8)	173,071	725,240	898,311
Unrestricted (Note 9)	<u>676,832</u>	<u>3,024,993</u>	<u>3,701,825</u>
Total Net Position	5,645,948	12,956,143	18,602,091
Total Liabilities and Net Position	\$ <u>6,519,251</u>	<u>15,415,763</u>	<u>21,935,014</u>

(Concluded)

The accompanying notes are an integral part of these statements.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Statement of Activities and Changes in Net Position

For the Year Ended June 30, 2014

	Primary Government		Total
	Governmental Activities (Fire)	Business-Type Activities (Utility)	
Program Revenue			
Mutual aid	\$ 2,677	-0-	2,677
Service fees	-0-	2,509,034	2,509,034
Fire protection fee	20,177	-0-	20,177
Connection fee	-0-	106,548	106,548
Total Program Revenue	22,854	2,615,582	2,638,436
Expenses			
Salaries and wages	1,331,174	1,042,673	2,373,847
Employee benefits	852,585	664,413	1,516,998
Field operations			
Material & supplies	9,028	19,094	28,122
Uniforms	7,542	3,902	11,444
Chemicals & lab fees	-0-	18,899	18,899
Minor equipment	-0-	2,683	2,683
Utilities	45,392	51,587	96,979
Maintenance & repairs	53,835	107,670	161,505
Radio communications	1,340	-0-	1,340
Training & memberships	26,214	10,468	36,682
Fire prevention	2,025	-0-	2,025
Vehicle maintenance	38,430	38,511	76,941
Garbage contract	-0-	224,390	224,390
Total field operations	183,806	477,204	661,010

(Continued)

The accompanying notes are an integral part of these statements.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Statement of Activities and Changes in Net Position

For the Year Ended June 30, 2014

	Primary Government		Total
	Governmental Activities (Fire)	Business-Type Activities (Utility)	
Expenses (Continued)			
General & administrative			
Board expenses	\$ 14,739	25,943	40,682
Accounting & audit services	10,308	19,591	29,899
Consultants	-0-	4,985	4,985
Legal services	60	23,508	23,568
Insurance	20,392	30,757	51,149
License, permit & contracts	-0-	23,904	23,904
Office expense	4,795	27,931	32,726
Travel & meetings	314	2,687	3,001
Office utilities	-0-	48,417	48,417
Other	24,180	-0-	24,180
Total general & administrative	74,788	207,723	282,511
Other expenses			
Depreciation	215,556	814,231	1,029,787
Interest	15,081	71,719	86,800
Total other expenses	230,637	885,950	1,116,587
Total Expenses	2,672,990	3,277,963	5,950,953
Net Program Revenue (Expense)	(2,650,136)	(662,381)	(3,312,517)

(Continued)

The accompanying notes are an integral part of these statements.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Statement of Activities and Changes in Net Position

For the Year Ended June 30, 2014

	Primary Government		Total
	Governmental Activities (Fire)	Business-Type Activities (Utility)	
General Revenues			
Property tax (Note 7)	\$ 2,627,109	276,771	2,903,880
Administrative fees	-0-	2,596	2,596
Grants	-0-	110,168	110,168
Interest	9,147	64,008	73,155
Rental revenue (Note 15)	-0-	86,354	86,354
Other	4,400	32,056	36,456
Total General Revenues	<u>2,640,656</u>	<u>571,953</u>	<u>3,212,609</u>
Increase (Decrease) in Net Position	(9,480)	(90,428)	(99,908)
Net Position – Beginning of Year	<u>5,655,428</u>	<u>13,046,571</u>	<u>18,701,999</u>
Net Position – End of Year	<u>\$ 5,645,948</u>	<u>12,956,143</u>	<u>18,602,091</u>

(Concluded)

The accompanying notes are an integral part of these statements.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Statement of Activities and Changes in Net Position
Business-Type Activities

For the Year Ended June 30, 2014

	<u>Water Department</u>	<u>Sewer Department</u>	<u>Garbage Contract</u>	<u>Other</u>	<u>Total Business-Type Activities (Utility)</u>
Program Revenue					
Service fees	\$ 1,271,470	950,546	228,110	58,908	2,509,034
Connection fee	<u>93,707</u>	<u>12,841</u>	<u>-0-</u>	<u>-0-</u>	<u>106,548</u>
Total Program Revenue	1,365,177	963,387	228,110	58,908	2,615,582
Expenses					
Salaries and wages	640,432	396,607	5,555	79	1,042,673
Employee benefits	393,385	268,873	2,103	52	664,413
Field operations					
Material & supplies	15,957	3,137	-0-	-0-	19,094
Uniforms	1,951	1,951	-0-	-0-	3,902
Chemicals & lab fees	18,899	-0-	-0-	-0-	18,899
Minor equipment repair	1,341	1,342	-0-	-0-	2,683
Utilities	46,495	5,092	-0-	-0-	51,587
Maintenance & repairs	33,101	15,661	-0-	58,908	107,670
Training & memberships	6,530	3,938	-0-	-0-	10,468
Vehicle maintenance	19,708	18,803	-0-	-0-	38,511
Garbage contract	<u>-0-</u>	<u>-0-</u>	<u>224,390</u>	<u>-0-</u>	<u>224,390</u>
Total field operations	143,982	49,924	224,390	58,908	477,204

(Continued)

The accompanying notes are an integral part of these statements.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Statement of Activities and Changes in Net Position
Business-Type Activities

For the Year Ended June 30, 2014

Expenses (Continued)	<u>Water Department</u>	<u>Sewer Department</u>	<u>Garbage Contract</u>	<u>Other</u>	<u>Total Business-Type Activities (Utility)</u>
General & administrative					
Board expenses	\$ 17,901	8,042	-0-	-0-	25,943
Accounting & audit services	13,518	6,073	-0-	-0-	19,591
Consultants	3,440	1,545	-0-	-0-	4,985
Legal services	16,221	7,287	-0-	-0-	23,508
Insurance	21,164	9,593	-0-	-0-	30,757
License, permit & contracts	16,494	7,410	-0-	-0-	23,904
Office expense	19,272	8,659	-0-	-0-	27,931
Travel & meetings	1,854	833	-0-	-0-	2,687
Office utilities	<u>33,046</u>	<u>15,371</u>	<u>-0-</u>	<u>-0-</u>	<u>48,417</u>
Total general & administrative	142,910	64,813	-0-	-0-	207,723
Other expenses					
Depreciation	497,202	317,029	-0-	-0-	814,231
Interest	<u>49,486</u>	<u>22,233</u>	<u>-0-</u>	<u>-0-</u>	<u>71,719</u>
Total other expenses	<u>546,688</u>	<u>339,262</u>	<u>-0-</u>	<u>-0-</u>	<u>885,950</u>
Total Expenses	<u>1,867,397</u>	<u>1,119,479</u>	<u>232,048</u>	<u>59,039</u>	<u>3,277,963</u>
Net Program Revenue (Expense)	(502,220)	(156,092)	(3,938)	(131)	(662,381)

(Continued)

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Statement of Activities and Changes in Net Position
Business-Type Activities

For the Year Ended June 30, 2014

	<u>Water Department</u>	<u>Sewer Department</u>	<u>Garbage Contract</u>	<u>Other</u>	<u>Total Business-Type Activities (Utility)</u>
General Revenues					
Property tax	\$ 256,153	20,618	-0-	-0-	276,771
Administrative fees	1,558	1,038	-0-	-0-	2,596
Grants	110,168	-0-	-0-	-0-	110,168
Interest	16,937	44,419	2,652	-0-	64,008
Rental revenue	43,177	43,177	-0-	-0-	86,354
Other	<u>1,996</u>	<u>1,331</u>	<u>-0-</u>	<u>28,729</u>	<u>32,056</u>
Total General Revenues	<u>429,989</u>	<u>110,583</u>	<u>2,652</u>	<u>28,729</u>	<u>571,953</u>
Increase (Decrease) in Net Position	<u>\$ (72,231)</u>	<u>(45,509)</u>	<u>(1,286)</u>	<u>28,598</u>	<u>(90,428)</u>

(Concluded)

The accompanying notes are an integral part of these statements.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Statement of Cash Flows

For the Year Ended June 30, 2014

	Primary Government		Total
	Governmental Activities (Fire)	Business-Type Activities (Utility)	
Cash Flows from Operating Activities:			
Cash receipts from customers	\$ 22,854	2,730,368	2,753,222
Cash payments to suppliers for goods and services	(1,072,938)	(1,199,035)	(2,271,973)
Cash payments to employees for services	(1,278,175)	(993,177)	(2,271,352)
Other receipts	4,400	34,652	39,052
Net Cash Provided (Used) by Operating Activities	(2,323,859)	572,808	(1,751,051)
Cash Flows From Noncapital Financing Activities:			
Receipt of property taxes	2,627,109	276,771	2,903,880
Net Cash Provided By Noncapital Financing Activities	2,627,109	276,771	2,903,880
Cash Flows From Capital and Related Financing Activities:			
Grants received	20,517	103,525	124,042
Repayment of long-term debt	(80,000)	(152,430)	(232,430)
Interest paid on long-term debt	(15,145)	(68,504)	(83,649)
Net Cash Used By Capital and Related Financing Activities	(74,628)	(117,409)	(192,037)
Cash Flows From Investing Activities:			
Purchase of capital assets	(65,295)	(524,986)	(590,281)
Funds advanced for third parties	-0-	(128,716)	(128,716)
Interest received on cash and investments	8,396	59,746	68,142
Net Cash Provided (Used) By Investing Activities	(56,899)	(593,956)	(650,855)
Net Increase In Cash	171,723	138,214	309,937
Cash and Cash Equivalents – Beginning of Year	1,049,006	4,377,402	5,426,408
Cash and Cash Equivalents – End of Year	\$ 1,220,729	4,515,616	5,736,345

(Continued)

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Statement of Cash Flows

For the Year Ended June 30, 2014

	Primary Government		Total
	Governmental Activities (Fire)	Business-Type Activities (Utility)	
Reconciliation of Increase in Net Position to Net Cash Used by Operating Activities:			
Increase (Decrease) in net position	\$ (9,480)	(90,428)	(99,908)
Adjustments to reconcile increase in net position to net cash used by operating activities:			
Depreciation	215,556	814,231	1,029,787
Amortization of debt costs	-0-	718	718
Non-operating revenue	(2,636,256)	(450,947)	(3,087,203)
Non-operating expenses	15,081	71,001	86,082
(Increase) decrease in:			
Receivables	-0-	(15,240)	(15,240)
Prepays	11,086	17,949	29,035
Increase (decrease) in:			
Accounts payable	1,808	60,117	61,925
Accrued liabilities	53,000	82,885	135,885
Postemployment health benefits	25,346	82,522	107,868
Total adjustments	(2,314,379)	663,236	(1,651,143)
Net Cash Provided (Used) By Operating Activities	\$ (2,323,859)	572,808	(1,751,051)

(Concluded)

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Fund Financial Statements

Balance Sheet

June 30, 2014

Assets

	<u>Primary Government</u>	
	<u>Governmental Fund (Fire)</u>	<u>Proprietary Fund (Utility)</u>
Current Assets		
Cash	\$ 43,165	\$ 211,078
Investments	<u>1,177,564</u>	<u>4,304,538</u>
Cash and cash equivalents	1,220,729	4,515,616
Receivables		
Service fees	-0-	56,410
Interest	751	4,276
Other	<u>-0-</u>	<u>151,105</u>
Total Receivables	751	211,791
Less allowance for doubtful accounts	<u>-0-</u>	<u>(1,500)</u>
Net receivables	751	210,291
Prepaid expenses and other assets	<u>7,732</u>	<u>6,626</u>
Total Current Assets	1,229,212	4,732,533
Noncurrent Assets		
Capital assets, at cost	-0-	24,963,569
Less accumulated depreciation	<u>-0-</u>	<u>(14,064,021)</u>
Net capital assets	-0-	10,899,548
Inter-activity balances	226,494	(226,494)
Total Noncurrent Assets	<u>226,494</u>	<u>10,683,230</u>
Total Assets	<u>\$ 1,455,706</u>	<u>\$ 15,415,763</u>
Deferred Outflow of Resources		
Note discount and issue costs	<u>-0-</u>	<u>10,176</u>

(Continued)

The accompanying notes are an integral part of these statements.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Fund Financial Statements

Balance Sheet

June 30, 2014

Liabilities and Fund Balances

	<u>Primary Government</u>	
	<u>Governmental Fund (Fire)</u>	<u>Proprietary Fund (Utility)</u>
Liabilities		
Current Liabilities		
Accounts payable	\$ 32,829	\$ 129,124
Accrued liabilities	412,005	395,974
Current portion of long-term debt	-0-	159,842
Total Current Liabilities	444,834	684,940
Noncurrent Liabilities		
Postemployment health benefits	-0-	240,884
Long-term debt	-0-	1,533,796
Total Noncurrent Liabilities	-0-	1,774,680
Total Liabilities	444,834	2,459,620
Fund Balances		
Governmental Fund (Note 10)		
Nonspendable	234,977	-0-
Restricted	173,071	-0-
Committed	446,435	-0-
Unassigned	156,389	-0-
Proprietary Fund		
Net investment in capital assets	-0-	9,205,910
Restricted	-0-	725,240
Unrestricted	-0-	3,024,993
Total Fund Balances	1,010,872	12,956,143
Total Liabilities and Fund Balances	<u>\$ 1,455,706</u>	<u>\$ 15,415,763</u>

(Concluded)

The accompanying notes are an integral part of these statements.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Reconciliation of the Balance Sheet of Governmental Fund to the Statement of Net Position

June 30, 2014

Fund balance of governmental fund	\$	1,010,872
-----------------------------------	----	-----------

Amounts reported for governmental activities in the statement of net position are different because:

Capital Assets used in governmental activities are not financial resources and therefore are not reported in governmental funds:

Land	\$	1,012,603
Buildings		4,922,184
Equipment		1,687,872
Master plan		1,137
Less accumulation depreciation		<u>(2,560,251)</u>

Net Book Value	5,063,545
----------------	-----------

Postemployment health benefits are not due and payable in the current period and, therefore, are not reported in the governmental funds	(160,969)
---	-----------

Long-term debt is not due and payable in the current period and therefore are not reported in the funds	<u>(267,500)</u>
---	------------------

Net position of governmental activities	\$	<u><u>5,645,948</u></u>
---	----	-------------------------

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Governmental Fund (Fire)

For the Year Ended June 30, 2014

	Original and Final Budget	Actual	Budget Variance (Over) Under
Program Revenue			
Mutual aid	\$ 3,350	\$ 2,677	\$ 673
Fire protection fee	9,000	20,177	(11,177)
Total Program Revenue	12,350	22,854	(10,504)
Expenditures			
Salaries and wages	1,349,611	1,331,174	18,437
Employee benefits	902,061	827,239	74,822
Field operations			
Material & supplies	11,900	9,028	2,872
Uniforms	9,200	7,542	1,658
Utilities	52,650	45,392	7,258
Maintenance & repairs	65,272	53,835	11,437
Radio communications	2,000	1,340	660
Training & memberships	32,040	26,214	5,826
Fire prevention	4,750	2,025	2,725
Vehicle maintenance	25,344	38,430	(13,086)
Total field operations	203,156	183,806	19,350
General & administrative			
Board expenses	14,739	14,739	-0-
Accounting & audit services	12,650	10,308	2,342
Legal services	3,000	60	2,940
Insurance	28,000	20,392	7,608
Office expense	3,935	4,795	(860)
Travel & meetings	1,080	314	766
Other	24,179	24,180	(1)
Total general & administrative	87,583	74,788	12,795

(Continued)

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Governmental Fund (Fire)

For the Year Ended June 30, 2014

	Original and Final Budget	Actual	Budget Variance (Over) Under
Expenditures (Continued)			
Other expenditures			
Capital outlay	78,350	40,782	37,568
Debt service	80,000	80,000	-0-
Interest	15,123	15,081	42
	<u>173,473</u>	<u>135,863</u>	<u>37,610</u>
Total other expenditures			
	<u>173,473</u>	<u>135,863</u>	<u>37,610</u>
Total Expenditures	<u>2,715,884</u>	<u>2,552,870</u>	<u>163,014</u>
Net Program Revenue (Expenditures)	(2,703,534)	(2,530,016)	(173,518)
General Revenues			
Property tax	2,574,661	2,627,109	(52,448)
Interest	1,150	9,147	(7,997)
Other	-0-	4,400	(4,400)
	<u>2,575,811</u>	<u>2,640,656</u>	<u>(64,845)</u>
Total General Revenues			
	<u>2,575,811</u>	<u>2,640,656</u>	<u>(64,845)</u>
Increase (Decrease) in Fund Balance	<u>\$ (127,723)</u>	110,640	<u>\$ (238,363)</u>
Fund Balance – Beginning of Year		<u>900,232</u>	
Fund Balance – End of Year		<u>\$ 1,010,872</u>	

(Concluded)

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balance of the Governmental Fund to the Statement of Activities

For the Year Ended June 30, 2014

Increase (decrease) in fund balance – governmental fund	\$	110,640
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental fund reports capital outlay for capital assets as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:		
Expenditures for capital assets	\$	40,782
Less – current year depreciation expense		<u>(215,556)</u> (174,774)
Increases in the accrual of postemployment health benefits is an expense in the Statement of Net Position but does not use current financial resources and therefore is not reflected in the government fund		(25,346)
Repayment of long-term debt is an expenditure in the government fund but the repayment reduced long-term liabilities in the Statement of Net Position		<u>80,000</u>
Increase in net position of governmental activities	\$	<u><u>(9,480)</u></u>

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Statement of Revenues, Expenses, and Changes in Fund Net Position
Budget and Actual
Proprietary Fund (Utility)

For the Year Ended June 30, 2014

	Original and Final Budget	Actual	Budget Variance (Over) Under
Program Revenue			
Service fees	\$ 2,504,138	\$ 2,509,034	\$ (4,896)
Connection fee	30,964	106,548	(75,584)
	<hr/>	<hr/>	<hr/>
Total Program Revenue	2,535,102	2,615,582	(80,480)
Expenses			
Salaries and wages	1,054,881	1,042,673	12,208
Employee benefits	627,510	664,413	(36,903)
Field operations:			
Material & supplies	16,200	19,094	(2,894)
Uniforms	5,000	3,902	1,098
Chemicals & lab fees	21,075	18,899	2,176
Minor equipment repair	3,080	2,683	397
Equipment rental	300	-0-	300
Utilities	57,840	51,587	6,253
Maintenance & repairs	39,620	107,670	(68,050)
Training & memberships	13,544	10,468	3,076
Vehicle maintenance	27,200	38,511	(11,311)
Garbage contract	229,338	224,390	4,948
	<hr/>	<hr/>	<hr/>
Total field operations	413,197	477,204	(64,007)

(Continued)

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Statement of Revenues, Expenses, and Changes in Fund Net Position
Budget and Actual
Proprietary Fund (Utility)

For the Year Ended June 30, 2014

Expenses (Continued)	Original and Final Budget	Actual	Budget Variance (Over) Under
General & administrative			
Board expenses	35,505	25,943	9,562
Accounting & audit services	19,260	19,591	(331)
Consultants	2,000	4,985	(2,985)
Legal services	23,660	23,508	152
Insurance	33,809	30,757	3,052
License, permit & contracts	26,960	23,904	3,056
Office expense	45,783	27,931	17,852
Travel & meetings	10,932	2,687	8,245
Office utilities	52,522	48,417	4,105
Total general & administrative	250,431	207,723	42,708
Other expenses			
Depreciation	-0-	814,231	(814,231)
Interest	68,560	71,719	(3,159)
Total other expenses	68,560	885,950	(817,390)
Total Expenses	\$ 2,414,579	\$ 3,277,963	\$ (863,384)
Net Program Revenue (Expense)	120,523	(662,381)	782,904

(Continued)

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Statement of Revenues, Expenses, and Changes in Fund Net Position
Budget and Actual
Proprietary Fund (Utility)

For the Year Ended June 30, 2014

	Original and Final Budget	Actual	Budget Variance (Over) Under
General Revenues			
Property tax	\$ 8,671	\$ 276,771	\$ (268,100)
Administrative fees	2,000	2,596	(596)
Grants	-0-	110,168	(110,168)
Interest	5,000	64,008	(59,008)
Rental revenue	52,881	86,354	(33,473)
Other	200	32,056	(31,856)
	<u>68,752</u>	<u>571,953</u>	<u>(503,201)</u>
Total General Revenues			
Increase (Decrease) in Fund Balance	<u>\$ 189,275</u>	(90,428)	<u>\$ 279,703</u>
Fund Balance – Beginning of Year		<u>13,046,571</u>	
Fund Balance – End of Year		<u>\$ 12,956,143</u>	

(Concluded)

SQUAW VALLY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2014

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Squaw Valley Public Service District (the "District") operates under a State Charter adopted March 30, 1964. The District operates under a Board-Manager form of government and provides the following services as authorized: water, sewer, garbage and fire services.

The District's government wide financial statements include the accounts of all operations.

The accounting policies of Squaw Valley Public Service District conform to accounting principles generally accepted in the United States of America. The following is a summary of the significant policies:

Basis of Accounting/Measurement Focus

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-Wide Financial Statements

The District Financial Statements include a Statement of Net Position, a Statement of Activities and Changes in Net Position and a Statement of Cash Flows. These statements present summaries of governmental and business-type activities for the District accompanied by a total column.

These statements are presented on an economic resources measurement focus and the accrual basis of accounting. Accordingly, all of the District's assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which the liability is incurred.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column.

SQUAW VALLY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2014

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Government-Wide Financial Statements (Continued)

The District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, to the business type activities, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinion, and Accounting Research Bulletins of the committee on Accounting Procedure. The District applies all applicable FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements.

Governmental Fund

The Governmental Fund Financial Statements includes a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balance for the governmental fund. An accompanying schedule is presented to reconcile and explain the differences in net position as presented in these statements to the net position presented in the Government-Wide Financial Statements

Governmental funds are accounted for on a spending or current financial resources measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenses and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the District are property tax and service fees. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

To commit fund balances, the District's Board of Directors passes a resolution to designate a portion of the available fund balance to a specific purpose. Any modification or rescission of this designation must also be done by a resolution of the Board of Directors.

For all purposes, fund balance amounts are considered to have been spent when an expenditure is incurred.

SQUAW VALLY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2014

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Proprietary Fund

The Proprietary Fund includes a Statement of Net Position and a Statement of Revenues, Expenses and Changes in Fund Net Position.

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or non-current) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues.

Budgets and Budgetary Accounting

The District follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the preceding year.
2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to June 30, the budget is legally enacted through passage of a resolution.
4. The District Manager presents a monthly report to the Board explaining any variance from the approved budget.
5. Formal budgetary integration is employed as a management control device during the year for the Utility Fund, Fire Department Fund, and Capital Reserve Fund.
6. The District requires the adoption of a budget for proprietary funds.
7. Appropriations lapse at the end of each fiscal year.

SQUAW VALLY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2014

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Revenue Recognition - Property Taxes

Placer County bills property taxes which attach as an enforceable lien on property. Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within sixty days after year end. The County allocates property taxes to the District following the alternate method of property tax distribution as stated in California Revenue & Taxation Code Section 4701. Using this method, the County allocates to the District their portion of total billed property taxes less an estimated delinquency factor. The County then assumes all responsibility for collections.

Capital Assets

Capital assets having an extended useful life are capitalized as capital assets at cost.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair market value on the date donated. Maintenance and repair costs are charged to expenses as incurred. Replacements and capital improvements over \$5,000 are charged to capital asset accounts.

Capital assets are recorded in their respective fund. Depreciation of all exhaustible capital assets is charged as an expense against their operations. Depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Facilities and systems	3-50 years
Vehicles, furniture and equipment	5-20 years

SQUAW VALLY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2014

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Note Discount and Issue Costs

Note discount and issue costs consist of loan issuance costs and are amortized over the term of the obligation using the straight-line method.

Compensated Absences

In accordance with District policy, the District has accrued a liability for vacation pay and sick leave which has been earned but not taken by District employees. This accrual represents the estimated probable future payments attributable to employees' service for all periods prior to June 30, 2014 at their current rate of pay.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the District to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Statement of Cash Flows

For the Statement of Cash Flows, cash is comprised of operating cash on hand and on deposit at banks. The District considers all short term investments with an original maturity of three months or less to be cash equivalents.

Subsequent Events

GASB Statement No. 68, *Accounting and Financial Reporting for Pension Plans*

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions* (an amendment of GASB Statement No. 27). This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures of Pension Plans. This Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Management is evaluating the impact of the adoption of this standards on the financial statement and believes that its impact, when adopted, may be substantial to the District. GASB No. 68 will be implemented effective with the fiscal year 2014-2015 financial statements.

The effect of subsequent events have been evaluated through November 21, 2014, which is the date the financial statements were available to be issued.

SQUAW VALLY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2014

(2) CASH AND INVESTMENTS:

The District follows the practice of pooling cash and investments of all funds. Interest income earned on pooled cash and investments is allocated to the various funds based on quarter-end cash and investment balances of the respective fund. At June 30, 2014, the District's cash and investment balances included the following:

Pooled cash	\$ 254,243
Pooled investments	<u>5,482,102</u>
	<u>\$ 5,736,345</u>

All cash balances on deposit at banks are entirely insured or collateralized. The California Government Code requires California banks and savings and loans to secure a District's deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of the District's deposits. California law also allows financial institutions to secure the District's deposits by pledging first trust deed mortgage notes having a value of 150% of the District's total deposits. Such collateral, as permitted by the State of California, is held in each respective bank's collateral pool at a Federal Reserve Bank, or member bank other than the depository bank, in the name of the respective depository bank and pledged against all of the public deposits it holds.

With the exception of deposit insurance provided by the Federal Deposit Insurance Corporation, this collateralizing process is categorized by GASB Statement No. 40 as being collateralized with securities held by the pledging financial institution or its agent but not in the District's name.

Pursuant to the District's Investment Policy, which includes certain diversification requirements, the District is allowed to invest in U.S. Government guaranteed investments, bonds or treasury notes, and certificates of deposit. The District has not adopted policies related to credit risk, custodial credit risk, concentration of credit risk, and interest rate risk.

The District's investments in the State and County investment pool are categorized by GASB Statement No. 40 as Category A investments since these investments are fully insured by the related entity. These investment pools do not release a credit quality.

Investments of the District are summarized as follows:

	<u>Carrying Amount</u>	<u>Market Value</u>
State of California Local Agency Investment Fund	\$ 23,247	23,247
Placer County Pooled Investment Fund	<u>5,458,855</u>	<u>5,458,855</u>
Total	<u>\$ 5,482,102</u>	<u>5,482,102</u>

SQUAW VALLY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2014

The District's investments with Local Agency Investment Fund (LAIF) at June 30, 2014 included a portion of the pooled funds invested in Structured Notes and Asset-Backed Securities. These investments included the following:

Structured Notes are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as CMO's) or credit card receivables.

(3) CAPITAL ASSETS:

A summary of Governmental Activities capital assets is presented below:

	Balance June 30, 2013	Additions	Deletions	Transfers	Balance June 30, 2014
Fire Department:					
Land	\$ 1,012,603	\$ -0-	\$ -0-	\$ -0-	\$ 1,012,603
Buildings	4,922,184	-0-	-0-	-0-	4,922,184
Equipment	1,647,090	40,782	-0-	-0-	1,687,872
Master plan	1,137	-0-	-0-	-0-	1,137
Total Capital Assets	7,583,014	40,782	-0-	-0-	7,623,796
Accumulated Depreciation	2,344,695	\$ 215,556	\$ -0-	\$ -0-	2,560,251
Net Book Value	\$ 5,238,319				\$ 5,063,545

A summary of Business-Type Activities capital assets is presented below:

	Balance June 30, 2013	Additions	Deletions	Transfers	Balance June 30, 2014
Utility Department:					
Water system	\$ 10,201,053	\$ 133,042	\$ -0-	\$ 233,250	\$10,567,345
Sewage system	5,263,114	56,502	-0-	174,393	5,494,009
Interceptors	1,183,280	-0-	-0-	-0-	1,183,280
Other	7,292,672	207,370	-0-	27,214	7,527,256
Construction in progress	488,547	137,989	-0-	(434,857)	191,679
Total Capital Assets	24,428,666	534,903	-0-	-0-	24,963,569
Accumulated Depreciation	13,249,790	\$ 814,231	\$ -0-	\$ -0-	14,064,021
Net Book Value	\$ 11,178,876				\$10,899,548

SQUAW VALLY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2014

(4) LONG-TERM DEBT:

A summary of the District's Governmental Activities long-term debt at June 30, 2014 is as follows:

	Balance June 30, 2013	Additions	Payments	Balance June 30, 2014
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
5.10% note for \$2,012,000, (\$1,006,000 Governmental Activities, \$1,006,000 Business-Type Activities) payable over 15 years to Municipal Finance Corporation, first payment due June 24, 2002 and semi-annually thereafter, maturity December 24, 2016, secured by net revenues	\$ 347,500	\$ -0-	\$ 80,000	\$ 267,500
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Long-Term Debt	347,500	<u> </u> \$ -0-	<u> </u> \$ 80,000	267,500
Less Current Installments of Long-Term Debt	<u> </u> 80,000			<u> </u> 85,000
Long-Term Debt Excluding Current Installments	<u> </u> \$ 267,500			<u> </u> \$ 182,500

SQUAW VALLY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2014

(4) LONG-TERM DEBT: (Continued)

A summary of the District's Business-Type Activities long-term debt at June 30, 2014 is as follows:

	Balance June 30, 2013	Additions	Payments	Balance June 30, 2014
5.10% note for \$2,012,000, ((\$1,006,000 Governmental Activities, \$1,006,000 Business-Type Activities) payable over 15 years to Municipal Finance Corporation, first payment due June 24, 2002 and semi-annually thereafter, maturity December 24, 2016, secured by net revenues	\$ 347,500	\$ -0-	\$ 80,000	\$ 267,500
3.63% lease faculty for \$1,801,700, payable over 25 years to The California Infrastructure and Economic Development Bank, first payment due February 2005 and semi- annually thereafter, maturity August 2028, secured by existing District land and facilities.	1,498,568	\$ -0-	72,430	1,426,138
Total Long-Term Debt	1,846,068	<u>\$ -0-</u>	<u>\$ 152,430</u>	1,693,638
Less Current Installments of Long-Term Debt	<u>152,430</u>			<u>159,842</u>
Long-Term Debt Excluding Current Installments	<u>\$ 1,693,638</u>			<u>\$ 1,533,796</u>

SQUAW VALLY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2014

(4) LONG-TERM DEBT: (Continued)

The District signed a loan agreement with Municipal Finance Corporation where the proceeds were used to purchase a two acre parcel of land for the District's Fire and Administration Center. The cost of this land, and the related loan, was split equally between the utility department and the fire department as the District believes this represents the ratio in which each department will utilize the property. The total purchase price was \$2,010,206. The District obtained a loan in the amount of \$2,012,000 to finance the purchase, along with other unrelated costs. The agreement calls for semi-annual payments in varying amounts over the life of the 15 year loan. The first payment was due June 24, 2002, with final maturity of the loan scheduled for December 24, 2016. This loan is subject to a prepayment penalty that ranges from 1% to 3%.

The District's Business-Type Activity has entered into a 25 year capital lease agreement effective June 30, 2004 with the California Infrastructure and Economic Development Bank (CIEDB) to finance a portion (\$2,000,000) of the construction of the new Fire and Administration Center. The agreement calls for semi-annual payments in varying amounts over the life of the 25 year loan. The first payment was due February 2005, with final maturity of the loan scheduled for August 2028. The loan can be prepaid subject to penalties that range from 1% to 2%.

The annual requirements to amortize District long-term debt as of June 30, 2014 is as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 244,842	\$ 72,573	\$ 317,415
2016	257,334	61,239	318,573
2017	264,909	49,447	314,356
2018	82,570	41,969	124,539
2019	85,320	38,926	124,246
2020 through 2024	471,157	145,318	616,475
2025 through 2029	555,006	52,519	607,525
	<u>\$ 1,961,138</u>	<u>\$ 461,991</u>	<u>\$ 2,423,129</u>

SQUAW VALLY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2014

(5) DEFERRED COMPENSATION PLANS:

A 457 Deferred Compensation Plan has been established by the District with ITT Hartford. Employees may elect to defer compensation up to 100% of their salary or \$17,500 (\$23,000 if employee will have obtained age 50 by the end of the calendar year), whichever is less. Employees in their last three years before retirement may qualify to contribute additional amounts, but never more than \$35,000 per year. This Plan is fully funded with ITT Hartford.

In addition, the District has also established a 457 Deferred Compensation Plan with the California Public Employees' Retirement System. Employees may elect to defer compensation up to 100% of their salary or \$17,500 (\$23,000 if employee will have obtained age 50 by the end of the calendar year), whichever is less. Employees in their last three years before retirement may qualify to contribute additional amounts, but never greater than \$35,000 per year. This Plan is fully funded with the California Public Employees' Retirement System.

The Deferred Compensation Plans are not included in the accompanying financial statements.

(6) EMPLOYEE RETIREMENT SYSTEM:

a) Plan Description

Squaw Valley Public Service District's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The plan is part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements are established by State statutes within the Public Employees' Retirement Law. Squaw Valley Public Service District selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office – 400 P Street – Sacramento, CA 95814.

b) Funding Policy

The District is required to contribute the actuarially determined amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal 2013/2014 was 17.177% for first tier utility department employees, 11.595% for second tier utility department employees, and 26.149% for fire department employees. The contribution rate is established and may be amended by CalPERS.

SQUAW VALLY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2014

(6) EMPLOYEE RETIREMENT SYSTEM: (Continued)

c) Annual Pension Cost

For fiscal year 2013/2014, Squaw Valley Public Service District's annual pension cost was \$714,272 and the District actually contributed \$714,272 (of which \$76,568 was paid by employees). The required contribution for fiscal year 2013/2014 was determined as part of the June 30, 2011 actuarial valuation using the entry age normal cost method with the contributions determined as a level percent of payroll. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.30% to 14.20%; and (c) 3.00% cost-of-living adjustment. Both (a) and (b) include an inflation component of 2.75%.

The Schedule of Funding Progress disclosure presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The actuarial value of the plan's assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a three year period depending on the size of investment gains and/or losses. The plan's unfunded actuarial accrued liability (or excess assets) is being amortized as a level percentage of projected payroll on a closed basis. The amortization period at June 30, 2012 was 20 years for utility department employees and 21 years for fire department employees.

d) Three-Year Trend Information

Fiscal Year Ending	Utility Department Employees			Fire Department Employees		
	Annual Pension Cost (APC)	Percentage Of APC Contributed	Net Pension Obligation	Annual Pension Cost (APC)	Percentage Of APC Contributed	Net Pension Obligation
6/30/12	\$ 240,882	100%	\$ -0-	\$ 402,095	100%	\$ -0-
6/30/13	239,037	100	-0-	413,726	100	-0-
6/30/14	289,527	100	-0-	424,745	100	-0-

SQUAW VALLY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2014

(6) EMPLOYEE RETIREMENT SYSTEM: (Continued)

e) Schedule of Funding Progress

CalPERS's valuation of the District's plan has been included in risk pools that include other members of the CalPERS system. Accordingly, detailed information regarding the funded status of the plan is not available at the District's plan level. However, the following information is available regarding the risk pool of which the District is a member.

Utility Department First Tier Risk Pool (In Thousands)

<u>Valuation Date</u>	<u>Accrued Liability</u>	<u>Actuarial Value Of Assets</u>	<u>Unfunded Liability</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UL As a % of Payroll</u>
6/30/08	\$ 1,823,366	\$ 1,529,549	\$ 293,818	83.9 %	\$ 414,590	70.9 %
6/30/09	2,140,439	1,674,260	466,179	78.2	440,071	105.9
6/30/10	2,297,871	1,815,672	482,200	79.0	434,023	111.1
6/30/11	2,486,709	1,981,073	505,635	79.7	427,300	118.3
6/30/12	2,680,181	2,178,800	501,382	81.3	417,600	120.1

Utility Department Second Tier Risk Pool (In Thousands)

<u>Valuation Date</u>	<u>Accrued Liability</u>	<u>Actuarial Value Of Assets</u>	<u>Unfunded Liability</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UL As a % of Payroll</u>
6/30/08	\$ 2,780,281	\$ 2,547,323	\$ 232,957	91.6 %	\$ 688,607	33.8 %
6/30/09	3,104,798	2,758,511	346,287	88.9	742,981	46.6
6/30/10	3,309,065	2,946,408	362,657	89.0	748,401	48.5
6/30/11	3,619,836	3,203,215	416,621	88.5	759,264	54.9
6/30/12	4,175,139	3,686,598	488,541	88.3	757,046	64.5

Fire Department Risk Pool (In Thousands)

<u>Valuation Date</u>	<u>Accrued Liability</u>	<u>Actuarial Value Of Assets</u>	<u>Unfunded Liability</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UL As a % of Payroll</u>
6/30/08	\$ 8,700,468	\$ 7,464,928	\$ 1,235,540	85.8 %	\$ 914,841	135.1 %
6/30/09	9,721,675	8,027,159	1,694,517	82.6	973,814	174.0
6/30/10	10,165,475	8,470,235	1,695,240	83.3	955,981	177.3
6/30/11	10,951,745	9,135,654	1,816,091	83.4	949,833	191.2
6/30/12	11,724,021	9,854,788	1,869,234	84.1	947,735	197.2

SQUAW VALLY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2014

(7) PROCEEDS OF TAX LIMITATION:

Article XIIB of the California Constitution, as implemented by SB 1352 of 1980, specifies that proceeds of taxes of governmental entities may increase by an amount not to exceed the change in population, and the change in the United States Consumer Price Index or California per capita personal income, whichever is less.

The proceeds of taxes limit for the fiscal year ended June 30, 2014 was \$5,346,443. The District's actual annual proceeds of taxes for the year ended June 30, 2014 was \$2,903,880, leaving a margin of \$2,442,563.

The proceeds of taxes limitation adopted by the District for the year ended June 30, 2015 is \$5,392,822.

(8) RESTRICTED NET POSITION:

Net position is subject to the following legal restrictions:

Governmental Activities:

Fire – protection fees	\$ <u>173,071</u>
Total Restricted Net Position – Governmental Activities	\$ <u><u>173,071</u></u>

Business-Type Activities:

Capital projects – water	\$ 525,850
Inflow and infiltration	<u>199,390</u>
Total Restricted Net Position – Business-Type Activities	\$ <u><u>725,240</u></u>

SQUAW VALLY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2014

(9) UNRESTRICTED NET POSITION:

A portion of the unrestricted net position has been set-aside by the District's Board as follows:

Governmental Activities:

Fixed asset replacement fund	\$ 446,435
Fixed asset replacement fund - building	226,494
Total	<u>672,929</u>
Net Position not set-aside	<u>3,903</u>
Total Unrestricted Net Position – Governmental Activities	<u>\$ 676,832</u>

Business-Type Activities:

Fixed asset replacement fund - water	\$ 168,550
Fixed asset replacement fund - sewer	2,639,960
Garbage	<u>184,297</u>
Total	<u>2,992,807</u>
Net Position not set-aside	<u>32,186</u>
Total Unrestricted Net Position – Business-Type Activities	<u>\$ 3,024,993</u>

(10) FUND BALANCE – GOVERNMENTAL FUND (FIRE):

Nonspendable fund balance consists of interest receivable (\$751), prepaid expenses (\$7,732) and inter-activity balances (\$226,494).

Restricted fund balance consists of user connection fees legally restricted to new capital acquisition.

Committed fund balance consists of funds the District's Board of Directors has specifically designated by resolution for replacement of capital assets.

(11) GARBAGE SERVICE:

Effective October 1, 1974, Ordinance No. 4 was passed by the Board of Directors of the Squaw Valley Public Service District providing for compulsory trash collection service for all District residents. The trash collections costs are paid by the service recipients. The District has contracted with a California corporation to provide the trash disposal services. An allocation of general and administrative expenses is made to garbage service cost, in addition to direct costs. Trash collection fees recognized in fiscal year ended June 30, 2014 were \$228,110 while expenses, both direct and allocated, totaled \$232,048.

SQUAW VALLY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2014

(12) GRANTS:

In June 2012, the District entered into a grant agreement with the Federal Emergency Management Agency (FEMA). Grant funds are to be used for fire department equipment. The grant provides that FEMA will pay up to \$20,517 of costs. As of June 30, 2014, the District had expended \$20,517 for the project. The District had received \$20,517 in reimbursements as of June 30, 2014.

In June 2012, the District entered into a grant agreement with the Placer County Water Agency (PCWA). Grant funds are to be used for the District's Squaw Valley Mutual Water Company Intertie Project. The grant provides that the PCWA will pay up to \$10,000 of costs. As of June 30, 2014, the District had expended more than the grant amount for the project. The District had received no reimbursements as of June 30, 2014, resulting in a receivable in the amount of \$10,000.

In December 2013, the District entered into a grant agreement with California Department of Water Resources (DWR). Grant funds are to be used for the District's redundant water supply project. The grant provides that the DWR will pay up to \$225,000 of costs. As of June 30, 2014, the District had expended \$28,646 for the project. The District had received no reimbursements as of June 30, 2014, resulting in a receivable in the amount of \$28,646.

(13) POSTEMPLOYMENT HEALTH BENEFITS:

a) Plan Description

The District provides health insurance coverage to each employee who retires and completes various age and service requirements through the California Public Employee Retirement System (CalPERS) through a single-employer benefit plan.

Government Accounting Standards require the recognition of postemployment health benefit costs, as detailed below, during the employee's period of employment. Currently, the District has four beneficiaries receiving these postemployment health benefits.

Benefit provisions are established and may be amended by District labor agreements, which are approved by the District Board of Directors.

b) Funding Policy

The District is funding the plan only to the extent necessary to cover the current year benefits of the retired beneficiaries. No employee contributions to the plan are required.

SQUAW VALLY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2014

(13) POSTEMPLOYMENT HEALTH BENEFITS: (Continued)

c) Annual Postemployment Health Benefit Cost and Net Postemployment Health Benefit Obligation

The most recent valuation data available for the Postemployment Health Benefit plan is for the year ended June 30, 2013. The District has included an estimate of \$70,000 (\$20,000 Governmental Activities and \$50,000 Business-Type Activities) in the financial statements for the year ended June 30, 2014. The following information is presented based on the plan's June 30, 2013 valuation.

The District's annual Postemployment Health Benefit cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual Postemployment Health Benefit cost for the year, the amount actually contributed to the plan, and changes in the District's net Postemployment Health Benefit obligation:

	Governmental Activities	Business- Type Activities
Annual required contributions	\$ 17,059	\$ 45,904
Interest on net Postemployment Health Benefit obligation	7,237	8,307
Annual Postemployment Health Benefit cost (expense)	24,296	54,211
Contributions made	(3,950)	(1,689)
Increase in net Postemployment Health Benefit obligation	20,346	52,522
Net Postemployment Health Benefit obligation – beginning of year (June 30, 2013)	120,623	138,362
Net Postemployment Health Benefit obligation – end of year (June 30, 2013)	140,969	190,884
District estimate of fiscal 2014 increase	20,000	50,000
Net estimated Postemployment Health Benefit obligation – end of year (June 30, 2014)	<u>\$ 160,969</u>	<u>\$240,884</u>

SQUAW VALLY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2014

(13) POSTEMPLOYMENT HEALTH BENEFITS: (Continued)

c) Annual Postemployment Health Benefit Cost and Net Postemployment Health Benefit Obligation (Continued)

The District's annual Postemployment Health Benefit cost, the percentage of annual Postemployment Health Benefit cost contributed to the plan, and the net Postemployment Health Benefit obligation for June 30, 2012, 2013, and 2014 were as follows:

<u>Fiscal Year Ended</u>	<u>Governmental Activities</u>		
	<u>Annual Postemployment Health Benefit Cost</u>	<u>Percentage of Annual Postemployment Health Benefit Cost Contributed</u>	<u>Net Postemployment Health Benefit Obligation</u>
6/30/2012	\$ 15,410	20.3%	\$ 120,623
6/30/2013	24,296	16.3	140,969
6/30/2014	20,000	14.1	160,969

<u>Fiscal Year Ended</u>	<u>Business-Type Activities</u>		
	<u>Annual Postemployment Health Benefit Cost</u>	<u>Percentage of Annual Postemployment Health Benefit Cost Contributed</u>	<u>Net Postemployment Health Benefit Obligation</u>
6/30/2012	\$ (6,557)	(16.0%)	\$ 138,362
6/30/2013	54,211	3.1	190,884
6/30/2014	50,000	3.4	240,884

SQUAW VALLY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2014

(13) POSTEMPLOYMENT HEALTH BENEFITS: (Continued)

d) Funded Status and Funding Progress

The funded status of the plan as of June 30, 2014, was as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Actuarial accrued liability (AAL)	140,969	190,884
District estimate of fiscal 2014 increase	20,000	50,000
Actuarial value of plan assets	<u>-0-</u>	<u>-0-</u>
Unfunded actuarial accrued liability (UAAL)	<u>160,969</u>	<u>240,884</u>
Funded ratio (actuarial value of plan assets/AAL)	0%	0%
Covered payroll (active plan members)	\$ 1,179,014	\$ 980,643
UAAL as a percentage of covered payroll	14.0%	25%

e) Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2013 actuarial valuation the projected unit credit method was used. The actuarial assumptions included a 6% investment rate of return (net of administrative expenses). Increases for annual healthcare cost trends and the inflation assumption were accounted for based on the negotiated future cost of the benefits. The actuarial value of plan assets was \$0.

SQUAW VALLY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2014

(14) RISK MANAGEMENT:

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of two Joint Powers Authorities for the operation of common risk management and insurance programs. The programs cover workers' compensation, property, liability and employees dishonesty insurance. The Authorities are governed by Executive Boards consisting of representatives from member districts. The Executive Boards control the operations of the Authorities, including selection of management and approval of operating budgets.

The relationship between the District and the Joint Powers Authorities is such that the Authorities are not a component unit of the District for financial reporting purposes.

For workers' compensation insurance, the District has joined together with other special districts within the state to form the Special Districts Workers' Compensation Authority ("SDWCA"). The District pays estimated annual premiums to the SDWCA based upon estimated payroll classified into rate categories pursuant to the rules published by the California Workers' Compensation Insurance Rating Bureau. Actual premium due is determined after the fiscal year end and is based upon actual payroll. The SDWCA is entitled to assess additional premiums or to refund premiums based upon a pro rata allocation of the District's premium paid to total premiums paid. The District is not assessed additional premiums or refunded premiums on an individual basis based upon claims or loss experience. The SDWCA agrees to pay all amounts legally required by California workers' compensation laws. The amounts of settlements have not exceeded coverage provided by SDWCA for the last three fiscal years.

For property, liability and employees dishonesty insurance, the District has joined together with other special districts within the state to form the Special Districts Risk Management Authority ("SDRMA"). The District pays an annual premium to SDRMA for its property, liability and employees dishonesty coverage. The SDRMA is entitled to assess additional premiums or to refund premiums based upon a pro rata allocation of the District's premium paid to total premiums paid. The District is not assessed additional premiums or refunded premiums on an individual basis based upon claims or loss experience. The amounts of settlements have not exceeded coverage provided by SDRMA for the last three fiscal years.

SQUAW VALLY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2014

(15) RENTAL ACTIVITY:

The District rents idle facilities to outside parties. These facilities have an original cost of \$1,051,834, accumulated depreciation of \$930,940, and a net book value of \$120,894. Rental income of \$86,354 is reflected in the Statement of Activities for the Business-Type Activity. Expenses for the rental activity, which are also reflected in the Statement of Activities, are as follows:

Salaries and benefits	\$ 19,043
Maintenance and repairs	314
Insurance	306
Utilities	7,092
Depreciation	<u>26,135</u>
Total Expenses	<u>\$ 52,890</u>

Future minimum rentals on noncancelable leases for these rentals are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2015	\$ 72,159
2016	<u>4,500</u>
	<u>\$ 76,659</u>

(16) INTER-ACTIVITY BALANCES:

In July 2005, the Governmental Activity transferred (at net book value) a portion of a building to the Business-Type Activity. This inter-activity balance is the result of that transaction and is not expected to be repaid within one year.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

OLYMPIC VALLEY, CALIFORNIA

**INDEPENDENT AUDITORS' REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
*GOVERNMENT AUDITING STANDARDS***

June 30, 2014

M^cCLINTOCK ACCOUNTANCY CORPORATION

ROBERT J. M^cCLINTOCK, CPA
MICHAEL R. GRIESMER, CPA
ALICE HAHN

SHARON FERREIRA, CPA
KENDALL GALKA, CPA

305 WEST LAKE BOULEVARD
P. O. BOX 6179
TAHOE CITY, CA 96145
TELEPHONE: 530-583-6994
FAX: 530-583-5405

17400 NORTHWOODS BLVD.
BUILDING B, SUITE 105
P. O. BOX 2468
TRUCKEE, CA 96160
TELEPHONE: 530-587-9221
FAX: 530-587-4946

To the Board of Directors
Squaw Valley Public Service District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Squaw Valley Public Service District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 21, 2014.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

McClintock Accountancy Corporation

McCLINTOCK ACCOUNTANCY CORPORATION
Tahoe City, California
November 21, 2014