

SQUAW VALLEY PUBLIC SERVICE DISTRICT

OLYMPIC VALLEY, CALIFORNIA

BASIC FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITORS' REPORT

For the Year Ended

June 30, 2015

SQUAW VALLEY PUBLIC SERVICE DISTRICT

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**SQUAW VALLEY PUBLIC SERVICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

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 ended June 30, 2015. 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 \$257,000. This is a decrease of FY2014 current assets exceeding total liabilities by \$2,629,000 due to the adoption of GASB 68, or the recording of Net Pension Liability (note 6 and note 17).
- ✓ Due to the adoption of GASB 68, Net Pension liability was recorded at \$3,099,000 (\$1,700,000 for Fire and \$1,399,000 for Utility). This cumulative effect adjustment was made to the net position and no prior years of financial statements were restated.
- ✓ Total net position decreased by \$3,174,000 this year, primarily due to recording of the Net Pension Liability as mentioned above.
- ✓ Of the total net position, \$901,000 is restricted and must be used only for specific purposes, \$3,628,000 is unrestricted and available for replacement of fixed assets, and \$(2,846,000) is unrestricted but dedicated to future obligations.
- ✓ Water rates from FY2014 increased by 12% and Sewer rates from FY2014 increased by 8%
- ✓ Property tax revenues increased this year by \$112,000 from 2013-14, about 4%

Major projects this year included:

- Significant repairs to fix water main leaks were completed at the S-Curve and Stables.
- The third year of the Sewer TV inspection project was completed. One year remains.
- Research and feasibility planning continues for a Redundant Water Supply for the valley.
- Construction-ready plans and specifications were prepared for a SVPSD-Mutual Water Company system intertie. Implementation of the plan will be dependent on another grant.
- 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. Analyses completed included a hydraulic modeling of the water distribution system, hydraulic modeling of the sewer collection system, space needs analyses for Utilities operations, assessment of project impacts and appropriate mitigations for Fire Protection and EMS services, and a financial projections model.
- The District continues to receive funding to provide snow removal services on the Squaw Valley Bike Path. Reserves in the account amount to approximately \$33,000.
- Implementation of VUEWorks software, which provides improvements to the District's GIS to prepare capital projects and efficiencies in work management (asset maintenance, labor, etc.)
- Replacement and relocation of 300 feet of the sewer line running underneath the Aspens Condominiums' tennis courts.

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- The District developed a SCADA Master Plan (phase I). The SCADA system is used to monitor wells, tanks, and other water/sewer system appurtenances throughout the District. Phase II was mostly completed which involved implementation and integration of the plan.
- The Fire Chief's vehicle was replaced.
- Staff continues to work on the Water and Sewer Master Plan Update. Task 1 is Data Collection.
- This was the first year of providing Operations & Maintenance to the Mutual Water Company. Revenue generated from services amounted to \$123,000.

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, protection fees, interest, strike team reimbursements, and grant-program funds. All Fire protection fees are restricted by law to specific reserve funds in order to finance improvement, construction, and acquisition 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, deferred outflows, liabilities, and deferred inflows, with the difference between them 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).

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- ✓ 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.

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 | | Business-Type | | Total | | Dollar | Percent |
|--|--------------|-----------|---------------|-------|-------|-------|--------|-----------|
| | Activities | | Activities | | | | | |
| | (Fire) | (Utility) | 2014 | 2015 | 2014 | 2015 | Change | Change |
| Program revenue | \$ 23 | 67 | 2,615 | 2,786 | 2,638 | 2,853 | 215 | 8.15% |
| General Revenues | | | | | | | | |
| Property Tax | 2,627 | 2,688 | 277 | 327 | 2,904 | 3,015 | 111 | 3.82% |
| Administrative Fees | - | - | 3 | 35 | 3 | 35 | 32 | 1,066.67% |
| Grants | - | - | 110 | 47 | 110 | 47 | (63) | -57.27% |
| Interest | 9 | 9 | 64 | 50 | 73 | 59 | (14) | -19.18% |
| Rental Revenue | - | - | 86 | 55 | 86 | 55 | (31) | -36.05% |
| Other | 5 | 18 | 32 | 28 | 37 | 46 | 9 | 24.32% |
| Total Revenues | \$ 2,664 | 2,782 | 3,187 | 3,328 | 5,851 | 6,110 | 259 | 4.43% |
| Expenses | \$ 2,673 | 2,714 | 3,278 | 2,903 | 5,951 | 5,617 | (334) | -5.61% |
| Increase (Decrease) in Net Position | \$ (9) | 68 | (91) | 425 | (100) | 493 | 593 | 593% |

Total change in Net Position increased \$493,000 from last year. Total Utility Revenues increased \$141,000, or 4%, resulting from increases in water, sewer, and garbage base rates, in addition to ancillary fees from snow removal, The Mutual Water Company, and project administrative fees.

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This was offset by grant revenue decreasing by \$63,000 and rental revenue decreasing by \$31,000. Grant revenue received for the year was primarily due to the Redundant Water Supply. Rental revenue decreased due to one lot remaining vacant for half the year as well as the Inn Shop reducing their space which resulted in a lower monthly fee. Tax revenues allocated to Utility increased by \$50,000, or 18%. Connection Fees decreased \$92,000, or 87%, due to less building construction and remodeling. Tax revenues allocated to Fire increased by \$61,000, or 2%. Property tax revenues in total increased 4% from prior year.

Total revenues have increased \$259,000, or 4% and expenses have decreased \$334,000, or 6%. Notable changes include a 12% increase in water fees, 8% increase in sewer fees, \$123,000 generated from the Mutual Water Company, and a \$39,000 increase in revenue for fire strike teams. There was a \$41,000 increase in expenses for the Fire Department, mostly due to \$35,000 increase in salaries and benefits. We had a few employees move from part-time to full-time, regular salary increases, as well as longevity increases. The Utility department saw a \$375,000 decrease in expenses. There was \$288,000 decrease in employee salaries and benefits, mostly resulting from staff changes and post-retirement benefits. There was also a \$47,000 decrease in Maintenance and Repairs.

| Changes in Net Assets (In Thousands) | | | | | | | | | |
|--------------------------------------|--------------|-----------|---------------|--------|--------|--------|--------|---------|----------|
| | Governmental | | Business-Type | | Total | | Dollar | Percent | |
| | Activities | | Activities | | | | | | |
| | (Fire) | (Utility) | 2014 | 2015 | 2014 | 2015 | Change | Change | |
| Current and other assets | \$ | 1,229 | 1,232 | 4,733 | 5,185 | 5,962 | 6,417 | 455 | 7.63% |
| Noncurrent assets | | 5,290 | 5,113 | 10,673 | 10,348 | 15,963 | 15,461 | (502) | -3.14% |
| Total Assets | \$ | 6,519 | 6,345 | 15,406 | 15,533 | 21,925 | 21,878 | (47) | -0.21% |
| Deferred Outflows | | - | 518 | 10 | 270 | 10 | 788 | 778 | 7780.00% |
| Current Liabilities | \$ | 530 | 586 | 685 | 637 | 1,215 | 1,223 | 8 | 0.66% |
| Long-term debt outstanding | | 343 | 1,923 | 1,775 | 3,013 | 2,118 | 4,936 | 2,818 | 133.05% |
| Total Liabilities | \$ | 873 | 2,509 | 2,460 | 3,650 | 3,333 | 6,159 | 2,826 | 84.79% |
| Deferred Inflows | | - | 589 | - | 490 | - | 1,079 | 1,079 | 0% |
| Net Position: | | | | | | | | | |
| Net Inv in Capital Assets | \$ | 4,796 | 4,704 | 9,206 | 9,041 | 14,002 | 13,745 | (257) | -1.84% |
| Restricted | | 173 | 201 | 725 | 700 | 898 | 901 | 3 | 0.33% |
| Unrestricted | | 677 | (1,140) | 3,025 | 1,922 | 3,702 | 782 | (2,920) | -78.88% |
| Total Net Position | \$ | 5,646 | 3,765 | 12,956 | 11,663 | 18,602 | 15,428 | (3,174) | -17.06% |

Total Current Assets have increased \$455,000, or 7.6% from the prior year. Cash and Cash Equivalents have increased \$489,000, due to increased fees and increased ad valorem tax revenues. The District retains mostly liquid funds in pooled conservative investment accounts

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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 decreased by \$48,000, or 23%. In the prior year we accelerated our pass-through billing for various construction projects in the District, particularly with Squaw Valley Real Estate, The Resort at Squaw Creek, and Olympic Estates. This reduced our aging time significantly. \$22,500 in delinquent service fees were submitted to Placer County for collection on the 2015-2016 property tax rolls, which is a 5% 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 \$502,000 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 \$9,000 from the prior year, mostly due to excess funds from the bike trail snow removal project and payroll related expenses. Any contributions received for the bike trail that are not spent are kept in a reserve fund to be used in subsequent years. Current Portion of Long Term Debt increased \$13,000 which relates to the building and land loans. This was offset by accounts payable decreasing \$74,000 mostly due to no outstanding balances for consulting services.

Net Long Term Liabilities has increased by \$2,818,000. For the year ended June 30, 2015, the District was required to implement GASB 68, Accounting and Financial Reporting for Pensions. Under the new GASB standards, each participating cost-sharing employer is required to report its actuarially determined proportionate share of the collective net pension liability, pension expense, and deferred inflows/outflows of resources in their financial statements determined in conformity with GASB 68. Previously to GASB 68, the District was only required to report the actual payments submitted to the pension plan as an expense, and no liability or deferred inflows/outflows. GASB 68 reporting requirements created a negative \$3,174,000 impact to Total Net Position. Before posting the GASB 68 entries, Total Net Position showed an increase of \$225,000 over the prior year. For more information on the District's pension plan, see Note 6 and Note 17 of the Financial Statements. The recording of GASB 68 was slightly offset by decrease in long-term debt. 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.

During the fiscal year, the District had a cash surplus of \$489,000, which was 58% more than the prior year's cash surplus of \$310,000. This \$179,000 increase is associated with getting reimbursed for third party advancements, an increase in rates to customers, an increase in ad valorem tax revenue, revenue from the Mutual Water Company, bike trail snow removal grants, and investing less in capital assets. This is offset by an increase in payments to suppliers.

The District continues to maintain a healthy Current Ratio of 5.24:1 (Current Assets against Current Liabilities), which has increased from the prior year from 4.9:1. This change against the

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prior year is mostly resulted from increased fees and increased ad valorem tax, as noted above. Total Cash & Cash Equivalents against Total Liabilities is 1:1, a decrease from 1.72:1 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 2015 this ratio was 1: 2.01, in the fiscal year ending 2014 this ratio was 1:1.74, and over the past rolling 5 fiscal years this ratio was 1:1.69. 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 |
|-------------------------------|---------------------------------------|---------------------------------|-----------------|
| 2015 | \$ 509,000 | \$ 1,024,000 | 1 : 2.01 |
| 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 |
| Total | \$ 3,012,000 | \$ 5,077,000 | 1 : 1.69 |

The District maintains separate Fund accounts for our capital projects that are summarized on the next page. Notable purchases from the Fund balances for the year are as follows; there was a \$45,000 decrease to the Inflow & Infiltration Capital Fund due primarily to TV inspection repairs on the sewer. There was an \$188,000 decrease to the Water Fixed Assets Fund due primarily to the S-Turn water main and the SCADA Master Plan. Lastly, there was a decrease of \$177,000 to the Sewer Fixed Assets Fund due primarily to the Aspens Sewer Realignment and the SCADA Master Plan. As our Fixed Asset Replacement needs are determined, we anticipate an increase in reserves to be allocated to each Fund.

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

| (in thousands) | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> |
|--|-------------|-------------|-------------|-------------|-------------|
| Water Capital | | | | | |
| Beginning Balance | 338 | 331 | 392 | 441 | 526 |
| Increases | 8 | 63 | 64 | 100 | 15 |
| Decreases | (15) | (2) | (15) | (15) | (0) |
| Ending Balance | 331 | 392 | 441 | 526 | 541 |
| Sewer Capital | | | | | |
| Beginning Balance | - | - | - | 7 | - |
| Increases | 2 | 5 | 7 | 6 | 3 |
| Transfer from Sewer Fixed Assets | 13 | 74 | - | 15 | 11 |
| Decreases | (15) | (79) | - | (28) | (14) |
| Ending Balance | - | - | 7 | - | - |
| Inflow & Infiltration Capital | | | | | |
| Beginning Balance | 274 | 270 | 274 | 241 | 199 |
| Increases | 9 | 11 | 11 | 10 | 5 |
| Decreases | (13) | (7) | (44) | (51) | (45) |
| Ending Balance | 270 | 274 | 241 | 199 | 159 |
| Garbage Capital | | | | | |
| Beginning Balance | 178 | 184 | 192 | 195 | 184 |
| Increases | 6 | 8 | 3 | 3 | 5 |
| Decreases | - | - | - | (13) | (11) |
| Ending Balance | 184 | 192 | 195 | 184 | 178 |
| Water Fixed Assets | | | | | |
| Beginning Balance | 1,453 | 1,081 | 57 | 254 | 169 |
| Increases | 167 | 61 | 237 | 78 | 65 |
| Decreases | (539) | (1,085) | (40) | (163) | (188) |
| Ending Balance | 1,081 | 57 | 254 | 169 | 46 |
| Sewer Fixed Assets | | | | | |
| Beginning Balance | 2,731 | 2,876 | 2,628 | 2,576 | 2,640 |
| Increases | 203 | 102 | 215 | 241 | 213 |
| Transfer to Sewer Capital | (13) | (74) | - | (28) | (11) |
| Decreases | (45) | (276) | (267) | (149) | (177) |
| Ending Balance | 2,876 | 2,628 | 2,576 | 2,640 | 2,665 |
| Fire Protection Funds | | | | | |
| Beginning Balance | 116 | 123 | 134 | 151 | 173 |
| Increases | 7 | 11 | 17 | 22 | 28 |
| Decreases | - | - | - | - | - |
| Ending Balance | 123 | 134 | 151 | 173 | 201 |
| Fire Fixed Assets | | | | | |
| Beginning Balance | 325 | 387 | 218 | 387 | 446 |
| Increases | 115 | 85 | 191 | 100 | 106 |
| Decreases | (53) | (254) | (22) | (41) | (41) |
| Ending Balance | 387 | 218 | 387 | 446 | 511 |

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Economic Factors and Financial Outlook for FY 2015-16

As the national economy continues to recover, the District has seen its own unique trends. For example, home purchases in the Valley have slightly decreased as well as the median price. This directly impacts the District's balance sheet through ad valorem tax revenues. However, an improving state unemployment rate (5.7% in November 2015), low interest rates, and tame inflation indicators are believed to support a recovering economic outlook for the District.

Contrary to home sales mentioned above, the total assessed values within District boundaries increased \$110 million, or 9% to \$1.277 billion in 2015-16, from \$1.167 billion in 2014-15. The District's resulting estimated net ad valorem tax revenue is expected to be \$3,300,000. This is a \$284,000, or 9.4% increase from the \$3,016,000 net received in 2014-15.

The District continues to monitor the Fixed Asset Replacement needs. Many capital projects are anticipated for the 2015-2016 fiscal year which include the Redundant Water Supply Study, implementation of the SCADA Master Plan, completion of the TV Sewer Inspections, roof repairs, replacing Indian Trail 2" water line, purchase of a new service vehicle, purchase of a Type 1 Engine, and purchase of a Water Tender. Total capital projects are budgeted at \$1,300,000.

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 grandfatheres 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 December 29, 2015.

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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.

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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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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, 2015, 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 discussed in Note 1 to the Financial Statements, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pension Plans-an amendment of GASB Statement No. 27*, and GASB Statements No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68*. The adoption of these statements required retrospective application of previously reported net position at July 1, 2014 as described in Note 17 to the basic financial statements. In addition, Net Pension Liability is reported in the Statement of Net Position in the amount of \$3,098,790 as of June 30, 2014, the measurement date. This Net Pension Liability is calculated by actuaries using estimates and actuarial techniques from an actuarial valuation as of June 30, 2013 which was then rolled-forward by the actuaries to June 30, 2014, the measurement date. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-11 and the budgetary comparison schedules on pages 60-64 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The combining statement of activities and changes in net position, business-type activities is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2016, 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
January 21, 2016

Basic
Financial
Statements

Government-Wide
Financial
Statements

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Statement of Net Position

June 30, 2015

| | <u>Assets</u> | | |
|---|---|---|---------------------|
| | <u>Primary Government</u> | | |
| | <u>Governmental Activities (Fire)</u> | <u>Business-Type Activities (Utility)</u> | <u>Total</u> |
| Current Assets | | | |
| Cash (Note 2) | \$ 68,441 | 227,429 | 295,870 |
| Investments (Note 2) | 1,111,176 | 4,818,333 | 5,929,509 |
| | <u>1,179,617</u> | <u>5,045,762</u> | <u>6,225,379</u> |
| Receivables | | | |
| Service fees | 41,882 | 72,680 | 114,562 |
| Interest | 552 | 3,033 | 3,585 |
| Other | -0- | 44,641 | 44,641 |
| Total Receivables | <u>42,434</u> | <u>120,354</u> | <u>162,788</u> |
| Prepaid expenses and other assets | <u>9,881</u> | <u>18,422</u> | <u>28,303</u> |
| Total Current Assets | 1,231,932 | 5,184,538 | 6,416,470 |
| Noncurrent Assets | | | |
| Capital assets, at cost (Note 3) | 7,664,390 | 25,389,495 | 33,053,885 |
| Less accumulated depreciation (Note 3) | <u>(2,777,638)</u> | <u>(14,814,745)</u> | <u>(17,592,383)</u> |
| Net capital assets | 4,886,752 | 10,574,750 | 15,461,502 |
| Inter-fund balances (Note 16) | <u>226,494</u> | <u>(226,494)</u> | <u>-0-</u> |
| Total Noncurrent Assets | <u>5,113,246</u> | <u>10,348,256</u> | <u>15,461,502</u> |
| Total Assets | <u>\$ 6,345,178</u> | <u>15,532,794</u> | <u>21,877,972</u> |
| Deferred Outflows of Resources | | | |
| Note discount and issue costs | \$ -0- | 9,458 | 9,458 |
| Deferred outflows related to pensions (Note 6) | <u>517,942</u> | <u>260,973</u> | <u>778,915</u> |
| Total Deferred Outflows of Resources | <u>\$ 517,942</u> | <u>270,431</u> | <u>788,373</u> |

(Continued)

The accompanying notes are an integral part of these statements.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Statement of Net Position

June 30, 2015

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 | \$ 57,790 | 29,960 | 87,750 |
| Accrued liabilities | 438,427 | 440,031 | 878,458 |
| Current portion of long-term debt (Note 4) | <u>90,000</u> | <u>167,334</u> | <u>257,334</u> |
| Total Current Liabilities | <u>586,217</u> | <u>637,325</u> | <u>1,223,542</u> |
| Noncurrent Liabilities | | | |
| Postemployment health benefits (Note 13) | 130,500 | 247,556 | 378,056 |
| Aggregate net pension liability (Note 6) | 1,700,068 | 1,398,722 | 3,098,790 |
| Long-term debt (Note 4) | <u>92,500</u> | <u>1,366,462</u> | <u>1,458,962</u> |
| Total Noncurrent Liabilities | <u>1,923,068</u> | <u>3,012,740</u> | <u>4,935,808</u> |
| Total Liabilities | <u>\$ 2,509,285</u> | <u>3,650,065</u> | <u>6,159,350</u> |
| Deferred Inflows of Resources | | | |
| Deferred inflows related to pensions (Note 6) | <u>\$ 588,833</u> | <u>489,977</u> | <u>1,078,810</u> |
| Net Position | | | |
| Net investment in capital assets | \$ 4,704,252 | 9,040,954 | 13,745,206 |
| Restricted (Note 8) | 200,892 | 700,402 | 901,294 |
| Unrestricted (Note 9) | <u>(1,140,142)</u> | <u>1,921,827</u> | <u>781,685</u> |
| Total Net Position (Note 17) | <u>\$ 3,765,002</u> | <u>11,663,183</u> | <u>15,428,185</u> |

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Statement of Activities and Changes in Net Position

For the Year Ended June 30, 2015

| | Primary Government | | Total |
|------------------------|--------------------------------------|--|-----------|
| | Governmental Activities (Fire) | Business-Type Activities (Utility) | |
| Program Revenue | | | |
| Mutual aid | \$ 41,550 | -0- | 41,550 |
| Service fees | -0- | 2,771,819 | 2,771,819 |
| Fire protection fee | 25,370 | -0- | 25,370 |
| Connection fee | -0- | 14,134 | 14,134 |
| Total Program Revenue | 66,920 | 2,785,953 | 2,852,873 |
| Expenses | | | |
| Salaries and wages | 1,487,862 | 986,866 | 2,474,728 |
| Employee benefits | 731,071 | 431,290 | 1,162,361 |
| Field operations | | | |
| Material & supplies | 10,911 | 12,428 | 23,339 |
| Uniforms | 5,923 | 3,461 | 9,384 |
| Chemicals & lab fees | -0- | 16,609 | 16,609 |
| Minor equipment | -0- | 204 | 204 |
| Utilities | 42,745 | 51,570 | 94,315 |
| Maintenance & repairs | 54,633 | 60,966 | 115,599 |
| Radio communications | 2,621 | -0- | 2,621 |
| Training & memberships | 33,759 | 15,858 | 49,617 |
| Fire prevention | 3,811 | -0- | 3,811 |
| Vehicle maintenance | 29,910 | 29,568 | 59,478 |
| Garbage contract | -0- | 230,371 | 230,371 |
| Total field operations | 184,313 | 421,035 | 605,348 |

(Continued)

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Statement of Activities and Changes in Net Position

For the Year Ended June 30, 2015

| | Primary Government | | Total |
|-----------------------------------|--------------------------------------|--|-------------|
| | Governmental Activities (Fire) | Business-Type Activities (Utility) | |
| Expenses (Continued) | | | |
| General & administrative | | | |
| Board expenses | \$ 12,584 | 24,710 | 37,294 |
| Accounting & audit services | 14,052 | 21,081 | 35,133 |
| Consultants | -0- | 5,035 | 5,035 |
| Legal services | 180 | 15,332 | 15,512 |
| Insurance | 21,056 | 33,988 | 55,044 |
| License, permit & contracts | -0- | 14,533 | 14,533 |
| Office expense | 7,399 | 27,942 | 35,341 |
| Travel & meetings | 740 | 4,982 | 5,722 |
| Office utilities | -0- | 48,158 | 48,158 |
| Other | 26,082 | -0- | 26,082 |
| Total general & administrative | 82,093 | 195,761 | 277,854 |
| Other expenses | | | |
| Depreciation | 217,387 | 806,757 | 1,024,144 |
| Interest | 11,033 | 61,565 | 72,598 |
| Total other expenses | 228,420 | 868,322 | 1,096,742 |
| Total Expenses | 2,713,759 | 2,903,274 | 5,617,033 |
| Net Program Revenue (Expense) | (2,646,839) | (117,321) | (2,764,160) |

(Continued)

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Statement of Activities and Changes in Net Position

For the Year Ended June 30, 2015

| | Primary Government | | Total |
|--|--------------------------------------|--|-------------------|
| | Governmental Activities (Fire) | Business-Type Activities (Utility) | |
| General Revenues | | | |
| Property tax (Note 7) | \$ 2,688,493 | 327,435 | 3,015,928 |
| Administrative fees | -0- | 35,441 | 35,441 |
| Grants (Note 12) | -0- | 47,047 | 47,047 |
| Interest | 8,725 | 50,067 | 58,792 |
| Rental revenue (Note 15) | -0- | 54,899 | 54,899 |
| Other | 17,916 | 27,802 | 45,718 |
| Total General Revenues | <u>2,715,134</u> | <u>542,691</u> | <u>3,257,825</u> |
| Increase in Net Position | 68,295 | 425,370 | 493,665 |
| Net Position – Beginning of Year, as restated (Note 17) | <u>3,696,707</u> | <u>11,237,813</u> | <u>14,934,520</u> |
| Net Position – End of Year | <u>\$ 3,765,002</u> | <u>11,663,183</u> | <u>15,428,185</u> |

Fund
Financial
Statements

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Fund Financial Statements

Balance Sheet

June 30, 2015

Assets

| | <u>Primary Government</u> | |
|--|-------------------------------------|---------------------------------------|
| | <u>Governmental Fund (Fire)</u> | <u>Proprietary Fund (Utility)</u> |
| Current Assets | | |
| Cash | \$ 68,441 | 227,429 |
| Investments | <u>1,111,176</u> | <u>4,818,333</u> |
| Cash and cash equivalents | 1,179,617 | 5,045,762 |
| Receivables | | |
| Service fees | 41,882 | 72,680 |
| Interest | 552 | 3,033 |
| Other | <u>-0-</u> | <u>44,641</u> |
| Total Receivables | 42,434 | 120,354 |
| Prepaid expenses and other assets | <u>9,881</u> | <u>18,422</u> |
| Total Current Assets | 1,231,932 | 5,184,538 |
| Noncurrent Assets | | |
| Capital assets, at cost | -0- | 25,389,495 |
| Less accumulated depreciation | <u>-0-</u> | <u>(14,814,745)</u> |
| Net capital assets | -0- | 10,574,750 |
| Inter-activity balances | <u>226,494</u> | <u>(226,494)</u> |
| Total Noncurrent Assets | <u>226,494</u> | <u>10,348,256</u> |
| Total Assets | <u>\$ 1,458,426</u> | <u>15,532,794</u> |
| Deferred Outflows of Resources | | |
| Note discount and issue costs | \$ -0- | 9,458 |
| Deferred outflows related to pensions | <u>-0-</u> | <u>260,973</u> |
| Total Deferred Outflows of Resources | \$ -0- | 270,431 |
| Total Assets and Deferred Outflows of Resources | <u>\$ 1,458,426</u> | <u>15,803,225</u> |

The accompanying notes are an integral part of these statements.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Fund Financial Statements

Balance Sheet

June 30, 2015

Liabilities and Fund Balances

| | <u>Primary Government</u> | |
|--|-------------------------------------|---------------------------------------|
| | <u>Governmental Fund (Fire)</u> | <u>Proprietary Fund (Utility)</u> |
| Liabilities | | |
| Current Liabilities | | |
| Accounts payable | \$ 57,790 | 29,960 |
| Accrued liabilities | 438,427 | 440,031 |
| Current portion of long-term debt | <u>-0-</u> | <u>167,334</u> |
| Total Current Liabilities | 496,217 | 637,325 |
| Noncurrent Liabilities | | |
| Postemployment health benefits | -0- | 247,556 |
| Net pension liability | -0- | 1,398,722 |
| Long-term debt | <u>-0-</u> | <u>1,366,462</u> |
| Total Noncurrent Liabilities | <u>-0-</u> | <u>3,012,740</u> |
| Total Liabilities | <u>\$ 496,217</u> | <u>3,650,065</u> |
| Deferred Inflows of Resources | | |
| Deferred inflows related to pensions | <u>\$ -0-</u> | <u>489,977</u> |
| Fund Balances | | |
| Governmental Fund (Note 10) | | |
| Nonspendable | \$ 236,927 | -0- |
| Restricted | 200,892 | -0- |
| Committed | 511,200 | -0- |
| Unassigned | 13,190 | -0- |
| Proprietary Fund | | |
| Net investment in capital assets | -0- | 9,040,954 |
| Restricted | -0- | 700,402 |
| Unrestricted | <u>-0-</u> | <u>1,921,827</u> |
| Total Fund Balances | <u>\$ 962,209</u> | <u>11,663,183</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | <u>\$ 1,458,426</u> | <u>15,803,225</u> |

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, 2015

| | | |
|---|----|-------------------------|
| Fund balance of governmental fund | \$ | 962,209 |
| Amounts reported for governmental activities in the statement of net position are different because: | | |
| Deferred outflows related to pensions are not financial resources and therefore are not reported in governmental funds | | 517,942 |
| 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 | | 1,728,466 |
| Master plan | | 1,137 |
| Less accumulation depreciation | | <u>(2,777,638)</u> |
| Net Book Value | | 4,886,752 |
| Postemployment health benefits are not due and payable in the current period and, therefore, are not reported in the governmental funds | | (130,500) |
| Net pension liability is not due and payable in the current period and therefore are not reported in the funds | | (1,700,068) |
| Long-term debt is not due and payable in the current period and therefore are not reported in the funds | | (182,500) |
| Deferred inflows related to pensions are not financial resources and therefore are not reported in governmental funds | | <u>(588,833)</u> |
| Net position of governmental activities | \$ | <u><u>3,765,002</u></u> |

SQUAW VALLEY PUBLIC SERVICE DISTRICT

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

For the Year Ended June 30, 2015

| | <u>Governmental Fund (Fire)</u> |
|--------------------------------|-------------------------------------|
| Program Revenue | |
| Mutual aid | \$ 41,550 |
| Fire protection fee | <u>25,370</u> |
| Total Program Revenue | 66,920 |
| Expenditures | |
| Salaries and wages | 1,487,862 |
| Employee benefits | 939,821 |
| Field operations | |
| Material & supplies | 10,911 |
| Uniforms | 5,923 |
| Utilities | 42,745 |
| Maintenance & repairs | 54,633 |
| Radio communications | 2,621 |
| Training & memberships | 33,759 |
| Fire prevention | 3,811 |
| Vehicle maintenance | <u>29,910</u> |
| Total field operations | 184,313 |
| General & administrative | |
| Board expenses | 12,584 |
| Accounting & audit services | 14,052 |
| Legal services | 180 |
| Insurance | 21,056 |
| Office expense | 7,399 |
| Travel & meetings | 740 |
| Other | <u>26,082</u> |
| Total general & administrative | 82,093 |

(Continued)

SQUAW VALLEY PUBLIC SERVICE DISTRICT

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

For the Year Ended June 30, 2015

| | <u>Governmental Fund (Fire)</u> |
|-------------------------------------|-------------------------------------|
| Expenditures (Continued) | |
| Other expenditures | |
| Capital outlay | \$ 40,594 |
| Debt service | 85,000 |
| Interest | <u>11,033</u> |
| Total other expenditures | <u>136,627</u> |
| Total Expenditures | <u>2,830,716</u> |
| Net Program Revenue (Expenditures) | (2,763,796) |
| General Revenues | |
| Property tax | 2,688,493 |
| Interest | 8,725 |
| Other | <u>17,915</u> |
| Total General Revenues | <u>2,715,133</u> |
| Increase (Decrease) in Fund Balance | \$ (48,663) |
| Fund Balance – Beginning of Year | <u>1,010,872</u> |
| Fund Balance – End of Year | <u><u>\$ 962,209</u></u> |

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, 2015

| | | | |
|--|----|----------------------|----------------|
| Increase (decrease) in fund balance – governmental fund | | \$ | (48,663) |
| 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 | \$ | 40,594 | |
| Less – current year depreciation expense | | <u>(217,387)</u> | (176,793) |
| Decreases 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 | | | |
| | | | 30,469 |
| 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 | | | |
| | | | 85,000 |
| Changes in the net pension liabilities and the related deferred outflows and inflows 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 | | | |
| | | | <u>178,282</u> |
| Increase in net position of governmental activities | \$ | <u><u>68,295</u></u> | |

SQUAW VALLEY PUBLIC SERVICE DISTRICT

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

For the Year Ended June 30, 2015

| | <u>Proprietary Fund (Utility)</u> |
|------------------------|---------------------------------------|
| Program Revenue | |
| Service fees | \$ 2,771,819 |
| Connection fee | 14,134 |
| | <hr/> |
| Total Program Revenue | 2,785,953 |
| Expenses | |
| Salaries and wages | 986,866 |
| Employee benefits | 431,290 |
| Field operations: | |
| Material & supplies | 12,428 |
| Uniforms | 3,461 |
| Chemicals & lab fees | 16,609 |
| Minor equipment repair | 204 |
| Equipment rental | -0- |
| Utilities | 51,570 |
| Maintenance & repairs | 60,966 |
| Training & memberships | 15,858 |
| Vehicle maintenance | 29,568 |
| Garbage contract | 230,371 |
| | <hr/> |
| Total field operations | 421,035 |

(Continued)

SQUAW VALLEY PUBLIC SERVICE DISTRICT

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

For the Year Ended June 30, 2015

| | <u>Proprietary Fund (Utility)</u> |
|--------------------------------|---------------------------------------|
| Expenses (Continued) | |
| General & administrative | |
| Board expenses | \$ 24,710 |
| Accounting & audit services | 21,081 |
| Consultants | 5,035 |
| Legal services | 15,332 |
| Insurance | 33,988 |
| License, permit & contracts | 14,533 |
| Office expense | 27,942 |
| Travel & meetings | 4,982 |
| Office utilities | <u>48,158</u> |
| Total general & administrative | 195,761 |
| Other expenses | |
| Depreciation | 806,757 |
| Interest | <u>61,565</u> |
| Total other expenses | <u>868,322</u> |
| Total Expenses | <u>2,903,274</u> |
| Net Program Revenue (Expense) | (117,321) |

(Continued)

SQUAW VALLEY PUBLIC SERVICE DISTRICT

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

For the Year Ended June 30, 2015

| | <u>Proprietary Fund (Utility)</u> |
|-------------------------------------|---------------------------------------|
| General Revenues | |
| Property tax | \$ 327,435 |
| Administrative fees | 35,441 |
| Grants | 47,047 |
| Interest | 50,067 |
| Rental revenue | 54,899 |
| Other | <u>27,802</u> |
| Total General Revenues | <u>542,691</u> |
| Increase (Decrease) in Fund Balance | \$ 425,370 |
| Fund Balance – Beginning of Year | <u>11,237,813</u> |
| Fund Balance – End of Year | <u><u>11,663,183</u></u> |

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Statement of Cash Flows – Proprietary Fund (Utility)

For the Year Ended June 30, 2015

| | Proprietary Fund (Utility) |
|---|-------------------------------|
| Cash Flows from Operating Activities: | |
| Cash receipts from customers | \$ 2,862,649 |
| Cash payments to suppliers for goods and services | (1,220,439) |
| Cash payments to employees for services | (1,031,341) |
| Other receipts | 63,243 |
| Net Cash Provided (Used) By Operating Activities | <u>674,112</u> |
| Cash Flows From Noncapital Financing Activities: | |
| Receipt of property taxes | <u>327,435</u> |
| Net Cash Provided By Noncapital Financing Activities | 327,435 |
| Cash Flows From Capital and Related Financing Activities: | |
| Grants received | 47,047 |
| Repayment of long-term debt | (159,842) |
| Interest paid on long-term debt | (59,892) |
| Net Cash Used By Capital and Related Financing Activities | <u>(172,687)</u> |
| Cash Flows From Investing Activities: | |
| Purchase of capital assets | (456,488) |
| Funds advanced for third parties | 106,464 |
| Interest received on cash and investments | 51,310 |
| Net Cash Used By Investing Activities | <u>(298,714)</u> |
| Net Increase (Decrease) In Cash | 530,146 |
| Cash and Investments – Beginning of Year | <u>4,515,616</u> |
| Cash and Investments – End of Year | <u>\$ 5,045,762</u> |

(Continued)

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Statement of Cash Flows – Proprietary Fund (Utility)

For the Year Ended June 30, 2015

| | <u>Proprietary Fund (Utility)</u> |
|--|---------------------------------------|
| Reconciliation of Increase in Net Position to Net Cash Used by | |
| Operating Activities: | |
| Increase in net position | \$ 425,370 |
| Adjustments to reconcile increase in net position to net cash used | |
| by operating activities: | |
| Depreciation | 806,757 |
| Amortization of debt costs | 718 |
| Non-operating revenue | (424,549) |
| Non-operating expenses | 60,847 |
| (Increase) decrease in: | |
| Receivables | (17,770) |
| Prepays | (11,796) |
| Deferred outflows | (68,146) |
| Increase (decrease) in: | |
| Accounts payable | (124,635) |
| Accrued liabilities | 43,102 |
| Postemployment health benefits | 6,672 |
| Net pension liability | (512,435) |
| Deferred inflows | <u>489,977</u> |
| Total adjustments | <u>248,742</u> |
| Net Cash Provided (Used) By Operating Activities | <u><u>\$ 674,112</u></u> |

Notes
to the
Financial
Statements

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2015

(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 VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2015

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

Government-Wide Financial Statements (Continued)

The District applies all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect) 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 Funds

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 VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2015

(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 VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2015

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

Restricted Net Position

The District records indicate that a portion of the fund balance is legally restricted for a specific future use.

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 VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2015

(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, 2015 at their current rate of pay.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California Public Employees' Retirement System (CalPERS) and additions to/deductions from CalPERS fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds or employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

For this report, the following timeframes are used.

| | |
|-------------------------|--------------------------------|
| Valuation Date (VD) | June 30, 2013 |
| Measurement Date (MD) | June 30, 2014 |
| Measurement Period (MP) | July 30, 2013 to June 30, 2014 |

At June 30, 2015, the District had an unrestricted deficit of \$(781,685) (\$(1,140,142) for governmental activities and \$1,921,827 for business-type activities). This net deficit is, primarily a result of implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27, of recording the pension liability on a full accrual basis of accounting instead of funding basis. The District expects that these deficits will be funded with future tax revenues.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2015

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

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

The effect of subsequent events have been evaluated through January 21, 2016, which is the date the financial statements were available to be issued.

(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, 2015, the District's cash and investment balances included the following:

| | |
|--------------------|---------------------|
| Pooled cash | \$ 295,870 |
| Pooled investments | <u>5,929,509</u> |
| | <u>\$ 6,225,379</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.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2015

(2) CASH AND INVESTMENTS: (Continued)

With the exception of deposit insurance provided by the Federal Deposit Insurance Corporation, this collateralizing process is categorized by GASB Statement No. 3 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. 3 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 | \$ 23,304 | 23,304 |
| Placer County Pooled Investment Fund | <u>5,906,205</u> | <u>5,906,205</u> |
| Total | <u>\$ 5,929,509</u> | <u>5,929,509</u> |

The District's investments with Local Agency Investment Fund (LAIF) at June 30, 2015 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.

As of June 30, 2015, the City had invested in LAIF, which had invested 2.08% of the pool investment fund in Structured Notes and Asset-Backed Securities.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2015

(3) CAPITAL ASSETS:

A summary of Governmental Activities capital assets is presented below:

| | Balance June 30, 2014 | Additions | Deletions | Transfers | Balance June 30, 2015 |
|--------------------------|-----------------------------|------------------|------------|------------|-----------------------------|
| Fire Department: | | | | | |
| Land | \$ 1,012,603 | -0- | -0- | -0- | 1,012,603 |
| Buildings | 4,922,184 | -0- | -0- | -0- | 4,922,184 |
| Equipment | 1,687,872 | 40,594 | -0- | -0- | 1,728,466 |
| Master plan | <u>1,137</u> | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> | <u>1,137</u> |
| Total Capital Assets | 7,623,796 | <u>40,594</u> | <u>-0-</u> | <u>-0-</u> | 7,664,390 |
| Accumulated Depreciation | <u>(2,560,251)</u> | <u>(217,387)</u> | <u>-0-</u> | <u>-0-</u> | <u>(2,777,638)</u> |
| Net Book Value | <u>\$ 5,063,545</u> | | | | <u>4,886,752</u> |

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

| | Balance June 30, 2014 | Additions | Deletions | Transfers | Balance June 30, 2015 |
|--------------------------|-----------------------------|------------------|-----------------|------------------|-----------------------------|
| Utility Department: | | | | | |
| Water system | \$ 10,567,345 | 152,680 | -0- | 71,257 | 10,791,282 |
| Sewage system | 5,494,009 | 165,045 | -0- | 74,952 | 5,734,006 |
| Interceptors | 1,183,280 | -0- | -0- | -0- | 1,183,280 |
| Other | 7,527,256 | 93,409 | 56,033 | -0- | 7,564,632 |
| Construction in progress | <u>191,679</u> | <u>70,825</u> | <u>-0-</u> | <u>(146,209)</u> | <u>116,295</u> |
| Total Capital Assets | 24,963,569 | <u>481,959</u> | <u>56,033</u> | <u>-0-</u> | 25,389,495 |
| Accumulated Depreciation | <u>(14,064,021)</u> | <u>(806,757)</u> | <u>(56,033)</u> | <u>-0-</u> | <u>(14,814,745)</u> |
| Net Book Value | <u>\$ 10,899,548</u> | | | | <u>10,574,750</u> |

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2015

(4) LONG-TERM DEBT:

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%.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2015

(4) LONG-TERM DEBT: (Continued)

A summary of the District's Governmental Activities long-term debt at June 30, 2015 is as follows:

| | Balance June 30, 2014 | <u>Additions</u> | <u>Payments</u> | Balance June 30, 2015 |
|--|-----------------------------|-------------------|----------------------|-----------------------------|
| 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 | \$ <u>267,500</u> | <u>-0-</u> | <u>85,000</u> | <u>182,500</u> |
| Total Long-Term Debt | 267,500 | <u><u>-0-</u></u> | <u><u>85,000</u></u> | 182,500 |
| Less Current Installments of Long-Term Debt | <u>85,000</u> | | | <u>90,000</u> |
| Long-Term Debt Excluding Current Installments | \$ <u><u>182,500</u></u> | | | <u><u>92,500</u></u> |

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2015

(4) LONG-TERM DEBT: (Continued)

A summary of the District's Business-Type Activities long-term debt at June 30, 2015 is as follows:

| | <u>Balance June 30, 2014</u> | <u>Additions</u> | <u>Payments</u> | <u>Balance June 30, 2015</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 | \$ 267,500 | -0- | 85,000 | 182,500 |
| 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. | <u>1,426,138</u> | <u>-0-</u> | <u>74,842</u> | <u>1,351,296</u> |
| Total Long-Term Debt | <u>1,693,638</u> | <u>-0-</u> | <u>159,842</u> | <u>1,533,796</u> |
| Less Current Installments of Long-Term Debt | <u>159,842</u> | | | <u>167,334</u> |
| Long-Term Debt Excluding Current Installments | <u>\$ 1,533,796</u> | | | <u>1,366,462</u> |

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2015

(4) LONG-TERM DEBT: (Continued)

The annual requirements to amortize District long-term debt as of June 30, 2015 is as follows:

| <u>Year Ending June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------------|---------------------|-----------------|------------------|
| 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 | 88,161 | 35,782 | 123,943 |
| 2021 through 2025 | 486,846 | 127,954 | 614,800 |
| 2026 through 2029 | 451,156 | 34,101 | 485,257 |
| | <u>\$ 1,716,296</u> | <u>389,418</u> | <u>2,105,714</u> |

(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 \$18,000 (\$24,000 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 \$36,000 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 \$18,000 (\$24,000 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 \$36,000 per year. This Plan is fully funded with the California Public Employees' Retirement System.

The accompanying financial statements does not included the amount amounts deferred during the year ended June 30, 2015.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2015

(6) NET PENSION LIABILITY:

a) General Information about the Pension Plan

i) Plan Description

All employees of Squaw Valley Public Service District are provided with pensions through the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employee defined benefit pension plan administered by CalPERS. 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 publicly available financial report that can be obtained at www.calpers.ca.gov

ii) Benefits Provided

CalPERS provides retirement, disability, and death benefits. Retirement benefits are determined as a percent of the employee's final 1-year (or in some cases 3-year average) compensation, modified for social security participation, times the participant's benefit factor. The benefit factor is determined based on the participant's hire date, year of service in the plan and their age at retirement. Employees with 5 years of continuous service are eligible to retire at age 50 (or in some cases age 52). Five years of service is required for non-industrial disability eligibility and no minimum years of service for an industrial disability. Disability benefits are determined in the same manner as retirement benefits. Death benefits vary from simple return of participant contributions to a monthly allowance equal to the retirement benefit. The plan provides for annual cost-of-living adjustment based on the Consumer Price Index, subject to a maximum of 2%.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2015

(6) NET PENSION LIABILITY: (Continued)

a) General Information about the Pension Plan (Continued)

iii) Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. For Squaw Valley Public Service District, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. For the measurement period ended June 30, 2014 (the measurement date), the following is a summary of contribution rates:

| | <u>Employee Contribution</u> | <u>Employer Contribution</u> | <u>Total Required Contribution</u> |
|---|----------------------------------|----------------------------------|--|
| Governmental Activity (Fire Department) | | | |
| First Tier Plan | 2.000 % | 33.135 % | 35.135 % |
| Second Tier Plan | 2.000 | 21.215 | 23.215 |
| Business-Type Activity (Utility Department) | | | |
| Safety Plan | 2.000 | 23.124 | 25.124 |
| PEPRA Safety Fire Plan | 2.000 | 23.124 | 25.124 |

b) Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the District reported a liability of \$3,098,790 (\$1,700,068 for governmental activities and \$1,398,722 for business-type activities) for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2014, the District's proportion was 0.05% for the governmental activities pool and 0.06% for the business-type activities pool, which was the same as its proportion measured as of June 30, 2013.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2015

(6) NET PENSION LIABILITY: (Continued)

b) Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

For the year ended June 30, 2015, the District recognized pension expense of \$411,369 (\$272,583 for governmental activities and \$138,786 for business-type activities). At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Governmental Activities</u> | |
|---|---|--|
| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
| Net difference between projected and actual earnings on pension plan investments | \$ -0- | 513,306 |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 67,078 | 75,527 |
| District contributions subsequent to the measurement date | 450,864 | -0- |
| Total | <u>\$ 517,942</u> | <u>588,833</u> |

| | <u>Business-Type Activities</u> | |
|---|---|--|
| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
| Net difference between projected and actual earnings on pension plan investments | \$ -0- | 470,036 |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 31,582 | 19,941 |
| District contributions subsequent to the measurement date | 229,391 | -0- |
| Total | <u>\$ 260,973</u> | <u>489,977</u> |

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2015

(6) NET PENSION LIABILITY: (Continued)

b) Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

The amount \$680,255 (\$450,864 for governmental activities and \$229,391 for business-type activities) reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended | Governmental Activities | Business-Type Activities | Total |
|------------|----------------------------|-----------------------------|-----------|
| 6/30/16 | \$ (131,344) | (113,352) | (244,696) |
| 6/30/17 | (131,344) | (113,352) | (244,696) |
| 6/30/18 | (130,742) | (114,183) | (244,925) |
| 6/30/19 | (128,325) | (117,508) | (245,833) |

c) Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ending June 30, 2014 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2013 total pension liability. Both the June 30, 2013 total pension liability and the June 30, 2014 total liability were based on the following actuarial methods and assumptions:

| | |
|----------------------------------|---|
| Actuarial Cost Method | Entry Age Normal in accordance with the requirements of GASB Statement No. 68 |
| Actuarial Assumptions | |
| Discount Rate | 7.50% |
| Inflation | 2.75% |
| Salary Increases | Varies by Entry Age and Service |
| Investment Rate of Return | 7.50% Net of Pension Plan Investment and Administrative Expenses; includes inflation |
| Mortality Rate Table | Derived using CalPERS' Membership Data for all Funds |
| Post Retirement Benefit Increase | Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter |

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2015

(6) NET PENSION LIABILITY: (Continued)

c) Actuarial Methods and Assumptions Used to Determine Total Pension Liability
(Continued)

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

d) Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

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

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2015

(6) NET PENSION LIABILITY: (Continued)

d) Discount Rate (Continued)

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

| Asset Class | New Strategic Allocation | Real Return Years 1-10 | Real Return Years 11+ |
|-------------------------------|-----------------------------|---------------------------|--------------------------|
| Global Equity | 47.0% | 5.25% | 5.71% |
| Global Fixed Income | 19.0 | 0.99 | 2.43 |
| Inflation Sensitive | 6.0 | 0.45 | 3.36 |
| Private Equity | 12.0 | 6.83 | 6.95 |
| Real Estate | 11.0 | 4.50 | 5.13 |
| Infrastructure and Forestland | 3.0 | 4.50 | 5.09 |
| Liquidity | 2.0 | (0.55) | (1.05) |

e) Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability/(asset) of the District as of the measurement date, calculated using the discount rate of 7.50 percent, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage-point lower (6.50 percent) or 1 percentage-point higher (8.50 percent) than the current rate:

| | Discount Rate – 1% (6.50%) | Current Discount Rate (7.50%) | Discount Rate +1% (8.50%) |
|--------------------------|-------------------------------|----------------------------------|------------------------------|
| Governmental Activities | \$ 2,492,090 | 1,398,722 | 491,330 |
| Business-Type Activities | 2,925,597 | 1,700,068 | 690,285 |
| Total | \$ 5,417,687 | 3,098,790 | 1,181,615 |

f) Pension Plan Fiduciary Net Position

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

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2015

(6) NET PENSION LIABILITY: (Continued)

g) Payables to the Pension Plan

At June 30, 2015, the employer's contribution for the final payroll of the fiscal year had not been paid and was included in accounts payable in the following amounts:

| | | |
|--------------------------|----|---------------|
| Governmental Activities | \$ | -0- |
| Business-Type Activities | | 30,221 |
| | \$ | <u>30,221</u> |

h) Schedule of the District's Proportionate Share of the Net Pension Liability

Governmental Activities

| | | |
|---|----|----------------|
| | | <u>6/30/15</u> |
| District's proportion of the net pension liability (asset) | | 0.05 % |
| District's proportionate share of the net pension liability (asset) | \$ | 1,398,722 |
| District's covered-employee payroll | \$ | 1,267,582 |
| District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | | 110.35 % |
| Plan fiduciary net position as a percentage of the total pension liability | | 81.42 % |

Business-Type Activities

| | | |
|---|----|----------------|
| | | <u>6/30/15</u> |
| District's proportion of the net pension liability (asset) | | 0.06 % |
| District's proportionate share of the net pension liability (asset) | \$ | 1,700,068 |
| District's covered-employee payroll | \$ | 998,317 |
| District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | | 170.29 % |
| Plan fiduciary net position as a percentage of the total pension liability | | 83.03 % |

The amounts presented for each fiscal year were determined as of 6/30 of the prior fiscal year.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2015

(6) NET PENSION LIABILITY: (Continued)

i) Schedule of District Contributions

Governmental Activities

| | <u>6/30/15</u> |
|--|------------------|
| Contractually required contribution | \$ 301,932 |
| Contributions in relation to the contractually required contribution | <u>(301,932)</u> |
| Contribution deficiency (excess) | \$ <u>-0-</u> |
| District's covered-employee payroll | \$ 1,267,582 |
| Contributions as a percentage of covered-employee payroll | 23.82% |

Business-Type Activities

| | <u>6/30/15</u> |
|--|------------------|
| Contractually required contribution | \$ 192,826 |
| Contributions in relation to the contractually required contribution | <u>(192,826)</u> |
| Contribution deficiency (excess) | \$ <u>-0-</u> |
| District's covered-employee payroll | 998,317 |
| Contributions as a percentage of covered-employee payroll | 19.32% |

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2015

(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, 2015 was \$5,392,822. The District's actual annual proceeds of taxes for the year ended June 30, 2015 was \$3,015,928, leaving a margin of \$2,376,894.

The proceeds of taxes limitation adopted by the District for the year ended June 30, 2016 is \$5,621,783.

(8) RESTRICTED NET POSITION:

Net position is subject to the following legal restrictions:

Governmental Activities:

| | |
|---|-------------------|
| Fire – protection fees | \$ 200,892 |
| Total Restricted Net Position – Governmental Activities | <u>\$ 200,892</u> |

Business-Type Activities:

| | |
|--|-------------------|
| Capital projects – water | \$ 541,115 |
| Inflow and infiltration | <u>159,287</u> |
| Total Restricted Net Position – Business-Type Activities | <u>\$ 700,402</u> |

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2015

(9) UNRESTRICTED NET POSITION:

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

| | |
|--|-----------------------|
| Governmental Activities: | |
| Fixed asset replacement fund | \$ 511,200 |
| Fixed asset replacement fund - building | 226,494 |
| Total Designated Net Position | <u>737,694</u> |
| Undesignated Net Position | <u>(1,877,836)</u> |
| Total Unrestricted Net Position – Governmental Activities | <u>\$ (1,140,142)</u> |
| Business-Type Activities: | |
| Fixed asset replacement fund - water | \$ 45,762 |
| Fixed asset replacement fund - sewer | 2,665,771 |
| Garbage | <u>178,426</u> |
| Total Designated Net Position | <u>2,889,959</u> |
| Undesignated Net Position | <u>(968,132)</u> |
| Total Unrestricted Net Position – Business-Type Activities | <u>\$ 1,921,827</u> |

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

Nonspendable fund balance consists of interest receivable (\$552), prepaid expenses (\$9,881) 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, 2015 were \$234,899 while expenses, both direct and allocated, totaled \$233,214.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2015

(12) GRANTS:

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, 2015, the District had expended more than the grant amount for the project. The District had received \$10,000 in reimbursements as of June 30, 2015.

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, 2015, the District had expended \$54,543 for the project. The District had received \$34,397 in reimbursements as of June 30, 2015, resulting in a receivable in the amount of \$20,146.

(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. The plan does not issue a stand-alone financial report.

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 VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2015

(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, 2014. The District has included an estimate of \$28,800 (\$6,300 Governmental Activities and \$22,500 Business-Type Activities) in the financial statements for the year ended June 30, 2015. The following information is presented based on the plan's June 30, 2014 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 | \$ (24,106) | \$ 26,117 |
| Interest on net Postemployment Health Benefit obligation | 8,458 | 11,453 |
| Annual Postemployment Health Benefit cost (expense) | (15,648) | 37,570 |
| Contributions made | (1,121) | (3,398) |
| Increase (Decrease) in net Postemployment Health Benefit obligation | (16,769) | 34,172 |
| Net Postemployment Health Benefit obligation – beginning of year (June 30, 2014) | 140,969 | 190,884 |
| Net Postemployment Health Benefit obligation – end of year (June 30, 2014) | 124,200 | 225,056 |
| District estimate of fiscal 2015 increase | 6,300 | 22,500 |
| Net estimate Postemployment Health Benefit obligation – end of year (June 30, 2015) | <u>\$ 130,500</u> | <u>\$ 247,556</u> |

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2015

(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, 2013, 2014, and 2015 were as follows:

| <u>Fiscal Year Ended</u> | <u>Governmental Activities</u> | | <u>Net Postemployment Health Benefit Obligation</u> |
|--------------------------|--|--|---|
| | <u>Annual Postemployment Health Benefit Cost</u> | <u>Percentage of Annual Postemployment Health Benefit Cost Contributed</u> | |
| 6/30/2013 | 24,296 | 16.3 | 140,969 |
| 6/30/2014 | (15,648) | (7.2) | 124,200 |
| 6/30/2015 | 6,300 | 44.7 | 130,500 |

| <u>Fiscal Year Ended</u> | <u>Business-Type Activities</u> | | <u>Net Postemployment Health Benefit Obligation</u> |
|--------------------------|--|--|---|
| | <u>Annual Postemployment Health Benefit Cost</u> | <u>Percentage of Annual Postemployment Health Benefit Cost Contributed</u> | |
| 6/30/2013 | 54,211 | 3.1 | 190,884 |
| 6/30/2014 | 37,570 | 9.0 | 225,056 |
| 6/30/2015 | 22,500 | 7.6 | 247,556 |

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2015

(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) | \$ 124,200 | \$ 225,056 |
| District estimate of fiscal 2015 increase | 6,300 | 22,500 |
| Actuarial value of plan assets | <u>-0-</u> | <u>-0-</u> |
| Unfunded actuarial accrued liability (UAAL) | <u>\$ 130,500</u> | <u>\$ 247,556</u> |
| Funded ratio (actuarial value of plan assets/AAL) | 0% | 0% |
| Covered payroll (active plan members) | 1,175,388 | \$ 1,093,653 |
| UAAL as a percentage of covered payroll | 11.1% | 22.6% |

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, 2014 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 VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2015

(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 VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2015

(15) RENTAL ACTIVITY:

The District rents idle facilities to outside parties. These facilities have an original cost of \$1,051,834, accumulated depreciation of \$957,075, and a net book value of \$94,759. Rental income of \$54,899 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 | \$ 22,425 |
| Maintenance and repairs | 1,415 |
| Insurance | 297 |
| Utilities | 6,725 |
| Depreciation | <u>26,135</u> |
| Total Expenses | <u>\$ 56,997</u> |

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

| <u>Year Ending June 30</u> | <u>Amount</u> |
|----------------------------|-------------------|
| 2016 | \$ 51,972 |
| 2017 | 51,930 |
| 2018 | <u>51,930</u> |
| | <u>\$ 155,832</u> |

(16) INTER-FUND 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

Notes to the Financial Statements

For the Year Ended June 30, 2015

(17) RESTATEMENT OF NET POSITION

As a result of the implementation of GASB Statements No. 68 and 71, net position as of July 1, 2014 was restated as follows:

| | Governmental Activities (Fire) | Business-Type Activities (Utility) | Total |
|--|--------------------------------------|--|----------------------|
| Net position at July 1, 2014, as previously reported | \$ 5,645,948 | \$ 12,956,143 | \$ 18,602,091 |
| Restatements to recognize pension contributions subsequent to the measurement date as deferred outflows of resources | 210,897 | 185,046 | 395,943 |
| Restatement to recognize change in employer proportions and differences in contributions as deferred outflows of resources | 91,035 | 7,780 | 98,815 |
| Restatement to recognize net pension liability | <u>(2,251,173)</u> | <u>(1,911,156)</u> | <u>(4,162,329)</u> |
| Total restatements | <u>(1,949,241)</u> | <u>(1,718,330)</u> | <u>(3,667,571)</u> |
| Net pension at July 1, 2014, as restated | <u>\$ 3,696,707</u> | <u>\$ 11,237,813</u> | <u>\$ 14,934,520</u> |

Required
Supplementary
Information

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, 2015

| | Original and Final Budget | Actual | Budget Variance (Over) Under |
|---|---------------------------------|----------------|---------------------------------------|
| Program Revenue | | | |
| Mutual aid | \$ 3,350 | 41,550 | (38,200) |
| Fire protection fee | 9,000 | 25,370 | (16,370) |
| Total Program Revenue | 12,350 | 66,920 | (54,570) |
| Expenditures | | | |
| Salaries and wages | 1,371,620 | 1,487,862 | (116,242) |
| Employee benefits | 936,820 | 939,821 | (3,001) |
| Field operations | | | |
| Material & supplies | 12,400 | 10,911 | 1,489 |
| Uniforms | 12,000 | 5,923 | 6,077 |
| Utilities | 51,918 | 42,745 | 9,173 |
| Maintenance & repairs | 65,344 | 54,633 | 10,711 |
| Radio communications | 3,900 | 2,621 | 1,279 |
| Training & memberships | 34,665 | 33,759 | 906 |
| Fire prevention | 4,750 | 3,811 | 939 |
| Vehicle maintenance | 30,544 | 29,910 | 634 |
| Total field operations | 215,521 | 184,313 | 31,208 |
| General & administrative | | | |
| Board expenses | 12,584 | 12,584 | -0- |
| Accounting & audit services | 12,878 | 14,052 | (1,174) |
| Legal services | 3,000 | 180 | 2,820 |
| Insurance | 28,000 | 21,056 | 6,944 |
| Office expense | 3,935 | 7,399 | (3,464) |
| Travel & meetings | 1,080 | 740 | 340 |
| Other | 26,082 | 26,082 | -0- |
| Total general & administrative | 87,559 | 82,093 | 5,466 |

(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, 2015

| | Original and Final Budget | Actual | Budget Variance (Over) Under |
|--|---------------------------------|-------------------|---------------------------------------|
| Expenditures (Continued) | | | |
| Other expenditures | | | |
| Capital outlay | \$ 61,850 | 40,594 | 21,256 |
| Debt service | 85,000 | 85,000 | -0- |
| Interest | 11,080 | 11,033 | 47 |
| | <u>157,930</u> | <u>136,627</u> | <u>21,303</u> |
| Total other expenditures | | | |
| | <u>157,930</u> | <u>136,627</u> | <u>21,303</u> |
| Total Expenditures | <u>2,769,450</u> | <u>2,830,716</u> | <u>(61,266)</u> |
| Net Program Revenue (Expenditures) | (2,757,100) | (2,763,796) | 6,696 |
| General Revenues | | | |
| Property tax | 2,643,771 | 2,688,493 | (44,722) |
| Interest | 1,150 | 8,725 | (7,575) |
| Other | -0- | 17,915 | (17,915) |
| | <u>2,644,921</u> | <u>2,715,133</u> | <u>(70,212)</u> |
| Total General Revenues | | | |
| | <u>2,644,921</u> | <u>2,715,133</u> | <u>(70,212)</u> |
| Increase (Decrease) in Fund Balance | \$ <u>(112,179)</u> | (48,663) | <u>(63,516)</u> |
| Fund Balance – Beginning of Year | | <u>1,010,872</u> | |
| Fund Balance – End of Year | | <u>\$ 962,209</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, 2015

| | Original and Final Budget | Actual | Budget Variance (Over) Under |
|------------------------|---------------------------------|------------------|---------------------------------------|
| Program Revenue | | | |
| Service fees | \$ 2,603,762 | 2,771,819 | (168,057) |
| Connection fee | 30,964 | 14,134 | 16,830 |
| | <u>2,634,726</u> | <u>2,785,953</u> | <u>(151,227)</u> |
| Total Program Revenue | 2,634,726 | 2,785,953 | (151,227) |
| Expenses | | | |
| Salaries and wages | 1,088,284 | 986,866 | 101,418 |
| Employee benefits | 688,114 | 431,290 | 256,824 |
| Field operations: | | | |
| Material & supplies | 16,000 | 12,428 | 3,572 |
| Uniforms | 5,000 | 3,461 | 1,539 |
| Chemicals & lab fees | 24,075 | 16,609 | 7,466 |
| Minor equipment repair | 500 | 204 | 296 |
| Equipment rental | 750 | -0- | 750 |
| Utilities | 55,090 | 51,570 | 3,520 |
| Maintenance & repairs | 38,550 | 60,966 | (22,416) |
| Training & memberships | 9,890 | 15,858 | (5,968) |
| Vehicle maintenance | 33,400 | 29,568 | 3,832 |
| Garbage contract | 235,038 | 230,371 | 4,667 |
| | <u>418,293</u> | <u>421,035</u> | <u>(2,742)</u> |
| Total field operations | 418,293 | 421,035 | (2,742) |

(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, 2015

| Expenses (Continued) | Original and Final Budget | Actual | Budget Variance (Over) Under |
|----------------------------------|---------------------------------|-----------|---------------------------------------|
| General & administrative | | | |
| Board expenses | \$ 31,205 | 24,710 | 6,495 |
| Accounting & audit services | 19,672 | 21,081 | (1,409) |
| Consultants | 5,000 | 5,035 | (35) |
| Legal services | 23,660 | 15,332 | 8,328 |
| Insurance | 33,809 | 33,988 | (179) |
| License, permit & contracts | 28,843 | 14,533 | 14,310 |
| Office expense | 46,310 | 27,942 | 18,368 |
| Travel & meetings | 15,217 | 4,982 | 10,235 |
| Office utilities | 53,250 | 48,158 | 5,092 |
| Total general & administrative | 256,966 | 195,761 | 61,205 |
| Other expenses | | | |
| Depreciation | -0- | 806,757 | (806,757) |
| Interest | 61,848 | 61,565 | 283 |
| Total other expenses | 61,848 | 868,322 | (806,474) |
| Total Expenses | 2,513,505 | 2,903,274 | (389,769) |
| Net Program Revenue (Expense) | 121,221 | (117,321) | 238,542 |

(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, 2015

| | Original and Final Budget | Actual | Budget Variance (Over) Under |
|--|---------------------------------|----------------------|---------------------------------------|
| General Revenues | | | |
| Property tax | \$ (40,279) | 327,435 | (367,714) |
| Administrative fees | 2,000 | 35,441 | (33,441) |
| Grants | -0- | 47,047 | (47,047) |
| Interest | 5,000 | 50,067 | (45,067) |
| Rental revenue | 57,845 | 54,899 | 2,946 |
| Other | 200 | 27,802 | (27,602) |
| | <u>24,766</u> | <u>542,691</u> | <u>(517,925)</u> |
| Total General Revenues | | | |
| Increase (Decrease) in Fund Balance | \$ <u>145,987</u> | 425,370 | <u>(279,383)</u> |
| Fund Balance – Beginning of Year | | <u>11,237,813</u> | |
| Fund Balance – End of Year | | <u>\$ 11,663,183</u> | |

Supplementary Information

SQUAW VALLEY PUBLIC SERVICE DISTRICT

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

For the Year Ended June 30, 2015

| | Water Department | Sewer Department | Garbage Contract | Other | Total Business-Type Activities (Utility) |
|-------------------------|---------------------|---------------------|---------------------|------------|---|
| Program Revenue | | | | | |
| Service fees | \$ 1,321,545 | 1,059,104 | 234,899 | 156,271 | 2,771,819 |
| Connection fee | <u>8,414</u> | <u>5,720</u> | <u>-0-</u> | <u>-0-</u> | <u>14,134</u> |
| Total Program Revenue | 1,329,959 | 1,064,824 | 234,899 | 156,271 | 2,785,953 |
| Expenses | | | | | |
| Salaries and wages | 600,632 | 342,063 | 1,268 | 42,903 | 986,866 |
| Employee benefits | 225,562 | 176,628 | 307 | 28,793 | 431,290 |
| Field operations | | | | | |
| Material & supplies | 8,199 | 3,879 | 350 | -0- | 12,428 |
| Uniforms | 1,731 | 1,730 | -0- | -0- | 3,461 |
| Chemicals & lab fees | 16,609 | -0- | -0- | -0- | 16,609 |
| Minor equipment repair | 102 | 102 | -0- | -0- | 204 |
| Utilities | 45,871 | 5,699 | -0- | -0- | 51,570 |
| Maintenance & repairs | 34,748 | 17,317 | -0- | 8,901 | 60,966 |
| Training & memberships | 10,046 | 5,812 | -0- | -0- | 15,858 |
| Vehicle maintenance | 14,965 | 14,603 | -0- | -0- | 29,568 |
| Garbage contract | <u>-0-</u> | <u>-0-</u> | <u>230,371</u> | <u>-0-</u> | <u>230,371</u> |
| Total field operations | 132,271 | 49,142 | 230,721 | 8,901 | 421,035 |

(Continued)

SQUAW VALLEY PUBLIC SERVICE DISTRICT

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

For the Year Ended June 30, 2015

| 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 | \$ 17,050 | 7,660 | -0- | -0- | 24,710 |
| Accounting & audit services | 14,546 | 6,535 | -0- | -0- | 21,081 |
| Consultants | 4,330 | 705 | -0- | -0- | 5,035 |
| Legal services | 10,579 | 4,753 | -0- | -0- | 15,332 |
| Insurance | 23,395 | 10,593 | -0- | -0- | 33,988 |
| License, permit & contracts | 10,028 | 4,505 | -0- | -0- | 14,533 |
| Office expense | 19,280 | 8,662 | -0- | -0- | 27,942 |
| Travel & meetings | 3,438 | 1,544 | -0- | -0- | 4,982 |
| Office utilities | <u>32,612</u> | <u>15,546</u> | <u>-0-</u> | <u>-0-</u> | <u>48,158</u> |
| Total general & administrative | 135,258 | 60,503 | -0- | -0- | 195,761 |
| Other expenses | | | | | |
| Depreciation | 501,174 | 305,583 | -0- | -0- | 806,757 |
| Interest | <u>42,480</u> | <u>19,085</u> | <u>-0-</u> | <u>-0-</u> | <u>61,565</u> |
| Total other expenses | <u>543,654</u> | <u>324,668</u> | <u>-0-</u> | <u>-0-</u> | <u>868,322</u> |
| Total Expenses | <u>1,637,377</u> | <u>953,004</u> | <u>232,296</u> | <u>80,597</u> | <u>2,903,274</u> |
| Net Program Revenue (Expense) | (307,418) | 111,820 | 2,603 | 75,674 | (117,321) |

(Continued)

SQUAW VALLEY PUBLIC SERVICE DISTRICT

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

For the Year Ended June 30, 2015

| | <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 | \$ 153,615 | 173,820 | -0- | -0- | 327,435 |
| Administrative fees | 1,590 | 1,060 | -0- | 32,791 | 35,441 |
| Grants | 47,047 | -0- | -0- | -0- | 47,047 |
| Interest | 9,703 | 37,987 | 2,377 | -0- | 50,067 |
| Rental revenue | 27,450 | 27,449 | -0- | -0- | 54,899 |
| Other | <u>16,394</u> | <u>11,408</u> | <u>-0-</u> | <u>-0-</u> | <u>27,802</u> |
| Total General Revenues | <u>255,799</u> | <u>251,724</u> | <u>2,377</u> | <u>32,791</u> | <u>542,691</u> |
| Increase (Decrease) in Net Position | \$ <u><u>(51,619)</u></u> | <u><u>363,544</u></u> | <u><u>4,980</u></u> | <u><u>108,465</u></u> | <u><u>425,370</u></u> |

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, 2015

McCLINTOCK ACCOUNTANCY CORPORATION

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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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 21, 2016.

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
January 21, 2016

SQUAW VALLEY PUBLIC SERVICE DISTRICT

REPORT TO THE BOARD OF DIRECTORS

June 30, 2015

1. This is our report on the SVPSD 6/30/15 Financial Statements and our audit report.
2. The Board of Directors engaged our firm to audit the Financial Statements of the District. Our opinion on the Financial Statement is unmodified, or a “clean” opinion. The audit report is ours; the Financial Statements are representations of management.

We reached our opinion after performing procedures and tests on the books and records. We do this in order to have reasonable assurance about whether the Financial Statements are free of material misstatement. We also assess the accounting principles used by management and the estimates used in the Financial Statements.

3. Questions and answers regarding the financial statements.
4. Matters to be Communicated
 - Auditor Responsibility – An audit conducted under generally accepted auditing standards is designed to obtain reasonable, rather than absolute, assurance about the financial statements.
 - Accounting Policies/Accounting Estimates – Significant accounting policies are detailed in Note 1 of the financial statements. Significant estimates, as detailed in the financial statements, include depreciation expense, and retirement related accruals.
 - Significant adjustments/Passed adjustments – There were five audit adjustments proposed and provided to management compared to two in prior year. The proposed adjustments related to removing an accrued expense for an intercompany transaction, truing up CalPers related balances and reclassifying fire liabilities from utility accounts payable.
 - Disagreements with management – None.
 - Difficulties encountered in performing the audit – None
5. Other Matters Noted – see attached.
6. We would like to thank management and staff for their fine cooperation during the audit.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

OTHER MATTERS NOTED

June 30, 2015

Current Year Matters

1. New Accounting Pronouncements

Below is a listing of new accounting pronouncements that we will monitor in order to determine their impact on the District as they become effective in future years:

GASB 72 Fair Value Measurement and Application. Effective for the year ended June 30, 2016.

GASB 73 Accounting and Financial Reporting for Pensions and Related Assets That are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Effective for the year ended June 30, 2016.

GASB 74 Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. Effective for the year ended June 30, 2017.

GASB 75 Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions. Effective for the year ended June 30, 2018

GASB 76 The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. Effective for the year ended June 30, 2016.

2. Adjusting Journal Entries

Gibson & Company (an outside accounting firm) prepared the District's year end closing journal entries and account reconciliations. Management should be familiar with the nature of each of the adjusting entries as proposed and booked by Gibson & Company, as management is responsible for the final account balances as represented in the financial statements.

As of June 30, 2015, the matter is the same as in the prior year.

3. Financial Statement Preparation and Tie-Out

Gibson & Company (an outside accounting firm) compiled the District's year-end financial statements and related note disclosures. The firm maintains the workpapers and reconciliations that tie-out to the compiled financial statements.

Recommendation: We recommend that the District request from Gibson & Company a complete tie out of the financial statements and related disclosures to the supporting workpapers maintained by them and that the tie out and related supporting documents be provided to us in a manual binder or complete electronic file in conjunction with the audit.

Prior Year Matters

1. Balance Sheet Reconciliations

During the audit, it was brought to our attention that not all balance sheet accounts are reconciled and reviewed on a regular basis, resulting in unidentifiable reconciling items come year end.

Recommendation: We recommend that balance sheet accounts are reconciled regularly by the Finance and Administration Manager and his staff and all outstanding reconciling items are researched and explained. We further recommend that higher importance reconciliations (i.e. Bank reconciliations) are submit to the General Manager for review and approval.

2015 Update: The District implemented on this recommendation and reconciliations were maintained and reviewed. We encourage the district to continue this process going forward.