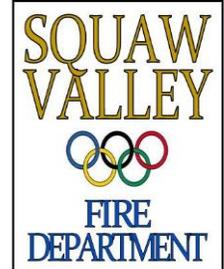




SQUAW VALLEY PUBLIC SERVICE DISTRICT

EXHIBIT # F-1
81 pages



Audit Report for Fiscal Year 2016-2017

DATE: November 28th, 2017
TO: District Board Members
FROM: Danielle Grindle, Finance & Administration Manger
SUBJECT: Audit Review for Fiscal Year 2016-2017

BACKGROUND: At the end of each fiscal year, the District undergoes an audited evaluation by a certified third party to assure the annual financial statements of the District are reported without any material misstatement, and are performed in accordance with Generally Accepted Accounting Principles (GAAP).

The District compiled the financial statements in-house which consists of Government Wide Financial Statements, Notes to the Financial Statements, and Fund Financial Statements. In addition, the District prepares the California Special Districts Financial Transaction Report.

The District engaged the services of McClintock Accountancy Corporation to provide a third party audit of the financial statements prepared by the District. As part of the audit process, McClintock Accountancy evaluates the appropriateness of accounting policies and reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Furthermore, the auditors evaluate the District's internal controls over financial reporting and test the compliance of certain provisions of laws, regulations, contracts, grant agreements, and other matters.

DISCUSSION: The attached Financials and Management Discussion and Analysis is included to provide financial highlights of material activities throughout the fiscal year, management's explanations of material movement in various account categories, and future financial outlook.

RECOMMENDATION: This is for informational purposes only.

ATTACHMENTS: Report to the Board of Directors (3 pages); Basic Financial Statements & Independent Auditors' Report (77 pages).

DATE PREPARED: November 21st, 2017

SQUAW VALLEY PUBLIC SERVICE DISTRICT

REPORT TO THE BOARD OF DIRECTORS

June 30, 2017

1. This is our report on the SVPSD 6/30/17 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 three audit adjustments proposed and provided to management compared to two in prior year. The proposed adjustments related to accruing for a customer deposit, workers compensation and investment in fixed assets. There were three adjustments proposed by management.
 - 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, 2017

Current Year Matters

1. New Accounting Pronouncements

Below is a listing of new accounting pronouncements that will likely impact the District:

GASB 75 Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions. Requires governments to recognize their unfunded accrued other postemployment benefits (OPEB) obligation on the face of their financial statements; also requires governments in all types of OPEB plans to present more extensive note disclosures and RSI about their OPEB liabilities. Effective for the year ended June 30, 2018.

2. Property and Equipment

The District now maintains the fixed assets ledger which was previously maintained by Gibson & Company. Rather than continue with a spreadsheet, we recommend the District use fixed asset software, consistent with best practices.

Prior Year Matters

3. Accounting Memos

During the current year audit discussions were held surrounding the District's determination of what expenditures qualify as a capital project. Specifically, large studies that are not associated with a particular asset. Discussion was also held relating to the recognition and accounting for bike trail grants. In situations where thorough analysis is considered and concluded on in order to determine the proper accounting treatment, we suggest the District prepare a memo that summarizes the details of the transaction and the related accounting conclusions reached. These memos should be provided during each audit year.

During 2017, Accounting memos were prepared for all situations where thorough analysis was utilized in determining proper accounting treatment.

4. 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, 2017, the Finance and Administration Manager took over the process of preparing the year end closing journal entries and account reconciliations.

5. 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.

During 2017, the financial statements were prepared and tied-out by the Finance and Administration Manager. The complete tie out was provided to McClintock Accountancy as part of the audit, consistent with best practices.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

OLYMPIC VALLEY, CALIFORNIA

BASIC FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITORS' REPORT

For the Year Ended

June 30, 2017

SQUAW VALLEY PUBLIC SERVICE DISTRICT

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June 30, 2017

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**SQUAW VALLEY PUBLIC SERVICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING JUNE 30, 2017**

As management of the Squaw Valley Public Service District, we are offering a brief narrative overview of the financial activities of the District for the fiscal year ending June 30, 2017. 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 current liabilities by \$429,000. This is a decrease from FY2016 current assets exceeding total liabilities by \$903,000. This is primarily due to an increase in Net Pension Liability (note 7) offset by an increase in cash and investments, prepaid expenses, as well as decreasing our debt from paying off the land loan (note 5).
- ✓ In the third year of GASB 68 implementation, Net Pension liability was recorded at \$4,899,000 (\$2,579,000 for Fire and \$2,320,000 for Utility). This is an increase of \$1,103,000 from the prior year.
- ✓ Total net position increased by \$389,000 this year. We saw an increase to cash on hand, prepaid expenses, and deferred outflows relating to pensions. This was offset by an increase in our net pension liability as well as a decrease in our deferred inflows relating to pensions.
- ✓ Of the total net position, \$1,177,000 is restricted and must be used only for specific purposes, \$4,340,000 is unrestricted and available for replacement of fixed assets, and \$(2,320,000) is unrestricted but dedicated to future obligations (Note 10).
- ✓ Water rates from FY2016 increased by 10% and Sewer rates from FY2016 increased by 6%.
- ✓ Property tax revenues increased this year by \$44,000 from FY2016, or about 1.3%

Major projects this year included:

- Started testing and design for the Truckee River Siphon replacement which is one of the largest sewer projects in the District's history.
- A Cost of Service and Rate Study was completed which revised our pricing structure, rates and connection fees to be implemented starting in FY2018.
- Repairs to the S-Turn Water Main.
- Staff worked with Squaw Valley Real Estate for an ongoing Development Agreement for the proposed Village at Squaw project.
- The District continues to receive funding to provide snow removal services on the Squaw Valley Bike Path. Reserves in the account amount to approximately \$74,000.
- Continued implementation of VUEWorks software, which provides improvements to the District's GIS to prepare capital projects and efficiencies (asset maintenance, labor, etc.)
- The District completed a SCADA Master Plan (phase III). The SCADA system is used to monitor wells, tanks, and other water/sewer system appurtenances throughout the District.
- Staff continues to work on the Water and Sewer Master Plan Update.
- This was the third year of providing Operations & Maintenance to the Mutual Water Company. Revenue generated from services amounted to \$100,000.
- A new Type 1 Engine completed construction and was put in service in May of 2017.
- The Fire Department purchased new Tablets for implementing new incident reporting software.

**SQUAW VALLEY PUBLIC SERVICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING JUNE 30, 2017**

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).
- ✓ The STATEMENT OF CASH FLOWS provides information on the District's cash receipts, cash payments, and changes in cash resulting from operations, investments, and financing activities.

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

**SQUAW VALLEY PUBLIC SERVICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING JUNE 30, 2017**

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					
	Activities		Activities					
	(Fire)	(Utility)	Total	Dollar	Percent			
	2016	2017	2016	2017	2016	2017	Change	Change
Program & Grant Revenue	\$ 105	55	3,321	3,239	3,426	3,294	(132)	-4%
General Revenues								
Property Tax	2,773	3,158	525	184	3,298	3,342	44	1%
Administrative Fees	-	-	28	17	28	17	(11)	-39%
General Grants	5	0.1	-	-	5	0.1	(5)	-99%
Interest	13	13	74	91	87	104	17	19%
Rental Revenue	-	18	66	36	66	54	(12)	-19%
Other	51	82	41	19	92	101	9	9%
Total Revenues	\$ 2,947	3,325	4,055	3,586	7,003	6,911	(91)	-1%
Expenses	\$ 2,719	3,229	3,657	3,294	6,376	6,523	147	2%
Increase (Decrease) in Net Position	\$ 228	96	398	292	627	388	--	--

Total change in Net Position increased by \$388,000 which is 38% less than prior year. Program and Grant revenue received for the year decreased primarily due to less grant funds (the prior year included the Redundant Water Supply Evaluation), less connection fees as well as less mutual aid reimbursement. This is offset by rate revenue increasing \$125,000, or 4%. General Revenues increased by \$41,000, or 1% primarily due to an increase in Property Tax and Interest earned, offset by a decrease in Administrative fees and Rental Revenue as our facilities at 1810 were not occupied for the entire year. Lastly, Other Revenues increased by \$9,000, primarily due to the sale of a Type 1 Engine offset by fewer reimbursements and administration fees.

Total revenues have decreased \$91,000, or 1% and expenses have increased \$147,000, or 2%. There was a \$510,000 increase in expenses for the Fire Department, mostly due to allocating one-third of the Admin Department salaries to the Fire Department, or \$259,000. Other notable

**SQUAW VALLEY PUBLIC SERVICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING JUNE 30, 2017**

increases include salaries increasing by 7.5% to offset the employee portion payment to CalPERS that the District would no longer be covering, as well as paying salaries for two Fire Chiefs as we have overlap until one Chief retires in FY2018. Next, the PERS pension expense per GASB 68 valuation reports increased \$70,000 from the prior year. Lastly, we had unforeseen repairs to the Board Room due to extreme weather over the winter months. The Utility department saw a \$363,000 decrease in expenses, mostly relating to the Admin salary allocation mentioned above. There was also a \$194,000 decrease in consulting fees due to fewer studies conducted such as the Redundant Water Supply and Groundwater Management Action Plan. This was offset by an increase of \$41,000 in the PERS pension expense per GASB 68 valuation reports, and an increase in billable wages of \$55,000.

Changes in Net Assets (In Thousands)									
	Governmental		Business-Type		Total		Dollar	Percent	
	Activities		Activities						
	(Fire)	(Utility)	2016	2017	2016	2017	Change	Change	
Current and other Assets	\$	1,371	942	6,128	6,947	7,499	7,889	390	5%
Non-Current Assets		4,940	5,406	9,680	9,035	14,620	14,441	(179)	-1%
Total Assets	\$	6,311	6,348	15,808	15,982	22,119	22,330	212	1%
Deferred Outflows		726	1,148	385	744	1,111	1,892	781	70%
Current Liabilities	\$	570	485	712	609	1,282	1,094	(188)	-15%
Non-Current Liabilities		2,097	2,718	3,217	3,649	5,314	6,366	1,052	20%
Total Liabilities	\$	2,667	3,203	3,929	4,258	6,596	7,460	864	13%
Deferred Inflows		375	203	202	115	577.00	318	(259)	-45%
Net Position:									
Net Inv in Capital Assets	\$	4,621	5,179	8,540	8,067	13,161	13,246	85	1%
Restricted		232	237	866	940	1,098	1,177	79	7%
Unrestricted		(860)	(1,326)	2,656	3,346	1,796	2,020	224	12%
Total Net Position	\$	3,994	4,090	12,062	12,353	16,056	16,443	388	2%

Total Current Assets have increased \$390,000, or 5% from the prior year. Cash and Cash Equivalents have increased \$282,000 due to increased fees, increased ad valorem tax revenues, and delayed spending in capital projects. The District retains mostly liquid funds in pooled conservative investment accounts with Placer County Investment Funds, Placer County Revenue Funds, Certificates of Deposit 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 \$40,000, or 32%. We accelerated our pass-through billing for various construction projects in the District, particularly with Squaw Valley Real Estate, Resort at Squaw Creek, Palisades, and PlumpJack. This reduced our aging time significantly.

**SQUAW VALLEY PUBLIC SERVICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING JUNE 30, 2017**

Delinquent service fees in the amount of \$28,300 were submitted to Placer County for collection on the 2017-2018 property tax rolls, which is an 8% 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 \$179,000 from the previous year, mostly as a result of depreciation offsetting investments into fixed assets. While this can be interpreted that the District's infrastructure is aging quicker than it is being repaired and/or replaced, it is not prudent to repair or replace assets that have a low probability of failure or have a very low consequence of failure. However, contributions into Capital Replacement accounts should continue and even accelerate to offset the rate of depreciation and to provide adequate reserves for the eventual replacement of assets.

Current Liabilities have decreased \$188,000 from the prior year, mostly due to paying off the land loan at 305 Squaw Valley Road. The final payment made in December 2016 amounted to approximately \$185,000. The only long term debt remaining is for the building at 305 Squaw Valley Road.

Net Noncurrent Liabilities have increased by \$1,052,000. The Net Pension Liability increased \$1,103,000. Under GASB 68 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. Previous 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. For more information on the District's pension plan, see Note 7 of the Financial Statements. Postemployment Health Benefits also increased by \$32,000. This is an actuarially determined number based on retirees receiving post employment health insurance through the District's plan. Lastly, the District continues to pay-off its long-term debt obligation for its administration and fire headquarters (maturing in 2028), a reduction of \$83,000 from the prior fiscal year.

During the fiscal year, the Enterprise portion of the District had a cash surplus of \$793,000, which was 18% less than the prior year's cash surplus of \$962,000. This decrease is associated with a \$340,000 decrease in ad valorem revenue allocated to the Utility. This is offset by an increase of \$82,000 in cash received from customers as well as investing \$107,000 less in capital assets.

The District continues to maintain a healthy Current Ratio of 7.21:1 (Current Assets against Current Liabilities), which has increased from the prior year of 5.85:1. This change is a result of increased fees and increased ad valorem tax as well as paying off the land loan, as noted above. Total Cash & Cash Equivalents against Total Liabilities is 1.05:1, a decrease from 1.1:1 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. In the current year we increased our reserve and capital accounts by \$438,000. The Utility Funds increased by \$765,000 while the Fire Department funds decreased by \$327,000, primarily due to the budgeted replacement of the Type 1 Engine. It is the goal of the District to grow our reserve accounts to fully fund projects in our 100 year asset replacement

**SQUAW VALLEY PUBLIC SERVICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING JUNE 30, 2017**

plan as well as mitigate potential adverse exposure to the sustainability of the District's infrastructure. The District recently completed a 100 year asset replacement plan and we anticipate future budgets to include additional funding for these projects without resorting to unnecessary special assessments or material rate increases.

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 \$28,000 decrease to the Sewer Capital Fund due primarily to starting the Design of the Truckee River Siphon. There was a \$62,000 decrease to the Water Fixed Asset Replacement due to the SCADA Master Plan, replacement of the Squaw Valley North Condos water line, emergency replacements as the S-Turn water main, as well as the Main Well ATS replacement. There was a decrease of \$69,000 to the Sewer Fixed Assets Fund due to the SCADA Master Plan and the Design of Truckee River Siphon. Lastly, there was a \$522,000 decrease to the Fire Fixed Asset Replacement Fund due to \$477,000 relating to the Type 1 Engine. Other purchases included hose and turn-out gear. Between connection fees, excess operating funds and taxes, and interest earned, we contributed \$1,114,000 to our fund accounts (before capital purchases). As our Fixed Asset Replacement needs are determined, we will adjust reserves to be allocated to each Fund.

**SQUAW VALLEY PUBLIC SERVICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING JUNE 30, 2017**

General Fund Balances - 5 Year Comparison of Funds Available for Capital Projects					
(in thousands)	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Water Capital					
Beginning Balance	392	441	526	541	711
Increases	64	100	15	170	75
Decreases	(15)	(15)	(0)	-	-
Ending Balance	441	526	541	711	786
Sewer Capital					
Beginning Balance	-	7	-	-	8
Increases	7	6	3	8	5
Transfer from Sewer Fixed Assets	-	15	11	-	15
Decreases	-	(28)	(14)	-	(28)
Ending Balance	7	-	-	8	(0)
Inflow & Infiltration Capital					
Beginning Balance	274	241	199	159	147
Increases	11	10	5	11	7
Decreases	(44)	(51)	(45)	(23)	-
Ending Balance	241	199	159	147	155
Garbage Capital					
Beginning Balance	192	195	184	178	163
Increases	3	3	5	6	11
Decreases	-	(13)	(11)	(22)	(1)
Ending Balance	195	184	178	163	172
Water Fixed Assets					
Beginning Balance	57	254	169	46	311
Increases	237	78	65	366	372
Decreases	(40)	(163)	(188)	(101)	(62)
Ending Balance	254	169	46	311	622
Sewer Fixed Assets					
Beginning Balance	2,628	2,576	2,640	2,665	2,783
Increases	215	241	213	176	439
Transfer to Sewer Capital	-	(28)	(11)	-	(15)
Decreases	(267)	(149)	(177)	(58)	(54)
Ending Balance	2,576	2,640	2,665	2,783	3,154
Fire Protection Funds					
Beginning Balance	134	151	173	201	232
Increases	17	22	28	31	13
Decreases	-	-	-	-	(9)
Ending Balance	151	173	201	232	237
Fire Fixed Assets					
Beginning Balance	218	387	446	511	724
Increases	191	100	106	240	191
Decreases	(22)	(41)	(41)	(27)	(522)
Ending Balance	387	446	511	724	393

**SQUAW VALLEY PUBLIC SERVICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING JUNE 30, 2017**

Economic Factors and Financial Outlook for FY 2017-18

Home purchases in the Valley have increased as well as the median price. This directly impacts the District's balance sheet through ad valorem tax revenues as we saw an increase in 2016-17. The state unemployment rate has decreased (4.7% in September 2017); however, mortgage interest rates and uncertainty with the financial market leave some unknowns for the growing economic outlook for the District.

The total assessed values within District boundaries increased \$32 million to \$1.314 billion in 2017-18, from \$1.282 billion in 2016-17. The District's resulting estimated net ad valorem tax revenue is expected to be \$3,417,000. This is a \$74,000, or 2% increase from the \$3,342,000 net received in 2016-17.

The District continues to monitor and adjust the 100 year Capital Replacement Plan as needed. Many capital projects are anticipated for the 2017-2018 fiscal year which includes the Truckee River Siphon, a new well on the PlumpJack property, recoating of the West tank, backhoe replacement, zone 3 booster pump station, new intersection manholes, purchase of a new Type 3 Engine, and thermal imaging replacements. Total capital projects are budgeted at \$1,427,000.

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 grandfathers existing employees and members of CalPERS. The savings will be reflected this year as one long term employee is retiring at the end of calendar year 2017. A new firefighter, Operations Specialist, and an Engineer will be added during FY2018 and they are PEPRAs employees.

The District plans to continue annual payment of its long-term debt associated with the construction of our Administrative Facility and Firehouse. The District expects to continue funding its Fixed Asset Replacement Funds in alignment with the results from the Cost of Service and Rate Study, which helps preclude the need for debt financing and benefit assessments in the future. Connection fees will be revisited during the FY2018 year to include new projects such as the PlumpJack well and development at the Village at Squaw.

Management expects greater workloads to staff and increased reimbursable consulting fees in response to multiple projects and development agreements with the Village, Resort at Squaw Creek, and Palisades. If the proposed developments are 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 October 19th, 2017.

**SQUAW VALLEY PUBLIC SERVICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING JUNE 30, 2017**

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.

McCLINTOCK ACCOUNTANCY CORPORATION

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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, 2017, 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, 2017, 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.

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, the budgetary comparison schedules on pages 59-63, the Schedule of the District's Proportionate Share of the Net Pension Liability on page 64 and the Schedule of District Contributions on page 65 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 purpose 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 November 18, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance

McClintock Accountancy Corporation

McCLINTOCK ACCOUNTANCY CORPORATION
Tahoe City, California
November 18, 2017

Basic Financial Statements

Government-Wide Financial Statements

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Statement of Net Position

June 30, 2017

	<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)	\$ 102,234	588,564	690,798
Investments (Notes 2 and 3)	<u>726,682</u>	<u>6,211,910</u>	<u>6,938,592</u>
Cash and cash equivalents	828,916	6,800,474	7,629,390
Receivables			
Service fees	316	47,930	48,246
Interest	1,094	6,212	7,306
Other	500	28,726	29,226
Total Receivables	<u>1,910</u>	<u>82,868</u>	<u>84,778</u>
Prepaid expenses and other assets	<u>110,692</u>	<u>63,968</u>	<u>174,660</u>
Total Current Assets	941,518	6,947,310	7,888,828
Noncurrent Assets			
Capital assets, at cost (Note 4)	7,927,842	25,055,445	32,983,287
Less accumulated depreciation (Note 4)	<u>(2,748,100)</u>	<u>(15,794,504)</u>	<u>(18,542,604)</u>
Net capital assets	5,179,742	9,260,941	14,440,683
Inter-activity balances (Note 17)	<u>226,494</u>	<u>(226,494)</u>	<u>-0-</u>
Total Noncurrent Assets	<u>5,406,236</u>	<u>9,034,447</u>	<u>14,440,683</u>
Total Assets	<u>\$ 6,347,754</u>	<u>15,981,757</u>	<u>22,329,511</u>
Deferred Outflows of Resources			
Deferred outflows related to pensions (Note 7)	<u>\$ 1,148,133</u>	<u>743,979</u>	<u>1,892,112</u>

(Continued)

The accompanying notes are an integral part of these statements.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Statement of Net Position

June 30, 2017

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	\$ 21,077	58,344	79,421
Accrued liabilities	464,272	467,858	932,130
Current portion of long-term debt (Note 5)	<u>-0-</u>	<u>82,570</u>	<u>82,570</u>
Total Current Liabilities	<u>485,349</u>	<u>608,772</u>	<u>1,094,121</u>
Noncurrent Liabilities			
Postemployment health benefits (Note 14)	138,169	216,833	355,002
Net pension liability (Note 7)	2,579,354	2,320,231	4,899,585
Long-term debt (Note 5)	<u>-0-</u>	<u>1,111,483</u>	<u>1,111,483</u>
Total Noncurrent Liabilities	<u>2,717,523</u>	<u>3,648,547</u>	<u>6,366,070</u>
Total Liabilities	<u>\$ 3,202,872</u>	<u>4,257,319</u>	<u>7,460,191</u>
Deferred Inflows of Resources			
Deferred inflows related to pensions (Note 7)	<u>\$ 202,628</u>	<u>115,001</u>	<u>317,629</u>
Net Position			
Net investment in capital assets	\$ 5,179,742	8,066,888	13,246,630
Restricted (Note 9)	236,825	940,206	1,177,031
Unrestricted (Note 10)	<u>(1,326,180)</u>	<u>3,346,322</u>	<u>2,020,142</u>
Total Net Position	<u>\$ 4,090,387</u>	<u>12,353,416</u>	<u>16,443,803</u>

The accompanying notes are an integral part of these statements.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Statement of Activities and Changes in Net Position

For the Year Ended June 30, 2017

	Primary Government		Total
	Governmental Activities (Fire)	Business-Type Activities (Utility)	
Program Revenue			
Mutual aid	\$ 45,320	-0-	45,320
Service fees	-0-	3,090,308	3,090,308
Fire protection fee	9,654	-0-	9,654
Connection fee	-0-	72,175	72,175
Grants (Note 13)	-0-	76,352	76,352
Total Program Revenue	54,974	3,238,835	3,293,809
Expenses			
Salaries and wages	1,869,347	972,270	2,841,617
Employee benefits	857,244	622,478	1,479,722
Field operations			
Material & supplies	12,964	13,356	26,320
Uniforms	9,974	5,632	15,606
Chemicals & lab fees	-0-	19,436	19,436
Utilities	44,149	59,470	103,619
Maintenance & repairs	83,086	105,058	188,144
Radio communications	1,958	-0-	1,958
Training & memberships	46,937	9,851	56,788
Fire prevention	3,134	-0-	3,134
Vehicle maintenance	24,142	24,927	49,069
Garbage contract	-0-	234,904	234,904
Total field operations	226,344	472,634	698,978

(Continued)

The accompanying notes are an integral part of these statements.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Statement of Activities and Changes in Net Position

For the Year Ended June 30, 2017

	Primary Government		Total
	Governmental Activities (Fire)	Business-Type Activities (Utility)	
Expenses (Continued)			
General & administrative			
Board expenses	\$ 16,128	48,558	64,686
Accounting & audit services	18,182	31,932	50,114
Consultants	-0-	108,650	108,650
Legal services	4,073	14,929	19,002
Insurance	22,289	33,612	55,901
License, permit & contracts	-0-	37,994	37,994
Office expense	8,919	37,813	46,732
Travel & meetings	3,240	25,009	28,249
Office utilities	-0-	51,287	51,287
Other	935	-0-	935
Total general & administrative	73,766	389,784	463,550
Other expenses			
Depreciation	200,290	789,647	989,937
Interest	2,266	45,852	48,118
Miscellaneous	-0-	1,538	1,538
Total other expenses	202,556	837,037	1,039,593
Total Expenses	3,229,257	3,294,203	6,523,460
Net Program Revenue (Expense)	(3,174,283)	(55,368)	(3,229,651)

(Continued)

The accompanying notes are an integral part of these statements.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Statement of Activities and Changes in Net Position

For the Year Ended June 30, 2017

	Primary Government		Total
	Governmental Activities (Fire)	Business-Type Activities (Utility)	
General Revenues			
Property tax (Note 8)	\$ 3,157,996	184,353	3,342,349
Administrative fees	-0-	17,084	17,084
Grants (Note 13)	500	-0-	500
Interest	12,920	90,940	103,860
Rental revenue (Note 16)	17,589	35,711	53,300
Other	81,717	19,106	100,823
Total General Revenues	<u>3,270,722</u>	<u>347,194</u>	<u>3,617,916</u>
Increase in Net Position	96,439	291,826	388,265
Net Position – Beginning of Year	<u>3,993,948</u>	<u>12,061,590</u>	<u>16,055,538</u>
Net Position – End of Year	<u>\$ 4,090,387</u>	<u>12,353,416</u>	<u>16,443,803</u>

The accompanying notes are an integral part of these statements.

Fund Financial Statements

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Fund Financial Statements

Balance Sheet

June 30, 2017

Assets

	<u>Primary Government</u>	
	<u>Governmental Fund (Fire)</u>	<u>Proprietary Fund (Utility)</u>
Current Assets		
Cash	\$ 102,234	588,564
Investments	<u>726,682</u>	<u>6,211,910</u>
Cash and cash equivalents	828,916	6,800,474
Receivables		
Service fees	316	47,930
Interest	1,094	6,212
Other	<u>500</u>	<u>28,726</u>
Total Receivables	1,910	82,868
Prepaid expenses and other assets	<u>110,692</u>	<u>63,968</u>
Total Current Assets	941,518	6,947,310
Noncurrent Assets		
Capital assets, at cost	-0-	25,055,445
Less accumulated depreciation	<u>-0-</u>	<u>(15,794,504)</u>
Net capital assets	-0-	9,260,941
Inter-activity balances	<u>226,494</u>	<u>(226,494)</u>
Total Noncurrent Assets	<u>226,494</u>	<u>9,034,447</u>
Total Assets	<u>\$ 1,168,012</u>	<u>15,981,757</u>
Deferred Outflows of Resources		
Deferred Outflows of Resources	<u>\$ -0-</u>	<u>743,979</u>

(Continued)

The accompanying notes are an integral part of these statements.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Fund Financial Statements

Balance Sheet

June 30, 2017

Liabilities and Fund Balances

	<u>Primary Government</u>	
	<u>Governmental Fund (Fire)</u>	<u>Proprietary Fund (Utility)</u>
Liabilities		
Current Liabilities		
Accounts payable	\$ 21,077	58,344
Accrued liabilities	464,272	467,858
Current portion of long-term debt	-0-	82,570
Total Current Liabilities	485,349	608,772
Noncurrent Liabilities		
Postemployment health benefits	-0-	216,833
Net pension liability	-0-	2,320,231
Long-term debt	-0-	1,111,483
Total Noncurrent Liabilities	-0-	3,648,547
Total Liabilities	\$ 485,349	4,257,319
Deferred Inflows of Resources		
Deferred inflows related to pensions	\$ -0-	115,001
Fund Balances		
Governmental Fund (Note 11)		
Nonspendable	\$ 339,096	-0-
Restricted	236,825	-0-
Committed	166,174	-0-
Unassigned	(58,616)	-0-
Proprietary Fund		
Net investment in capital assets	-0-	8,066,888
Restricted	-0-	940,206
Unrestricted	-0-	3,346,322
Total Fund Balances	\$ 682,663	12,353,416

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, 2017

Fund balance of governmental fund	\$	682,663
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		1,148,133
Capital Assets used in governmental activities are not financial resources and therefore are not reported in governmental funds:		
Land	\$	1,012,603
Buildings		4,904,090
Equipment		1,850,813
Master plan		1,137
Construction in progress		159,199
Less accumulation depreciation		<u>(2,748,100)</u>
Net Book Value		5,179,742
Postemployment health benefits are not due and payable in the current period and, therefore, are not reported in the governmental funds		(138,169)
Net pension liability is not due and payable in the current period and therefore are not reported in the funds		(2,579,354)
Deferred inflows related to pensions are not financial resources and therefore are not reported in governmental funds		<u>(202,628)</u>
Net position of governmental activities	\$	<u><u>4,090,387</u></u>

The accompanying notes are an integral part of these statements.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

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

For the Year Ended June 30, 2017

Program Revenue		
Mutual aid	\$	45,320
Fire protection fee		<u>9,654</u>
Total Program Revenue		54,974
Expenditures		
Salaries and wages		1,869,347
Employee benefits		831,945
Field operations		
Material & supplies		12,964
Uniforms		9,974
Utilities		44,149
Maintenance & repairs		83,086
Radio communications		1,958
Training & memberships		46,937
Fire prevention		3,134
Vehicle maintenance		<u>24,142</u>
Total field operations		226,344
General & administrative		
Board expenses		16,128
Accounting & audit services		18,182
Legal services		4,073
Insurance		22,289
Office expense		8,919
Travel & meetings		3,240
Other		<u>935</u>
Total general & administrative		73,766

(Continued)

The accompanying notes are an integral part of these statements.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

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

For the Year Ended June 30, 2017

Expenditures (Continued)

Other expenditures		
Capital outlay	\$	675,467
Debt service		92,500
Interest		<u>2,266</u>
Total other expenditures		<u>770,233</u>
Total Expenditures		<u>3,771,635</u>
Net Program Revenue (Expenditures)		(3,716,661)
General Revenues		
Property tax		3,157,996
Grants		500
Interest		12,920
Rental Revenue		17,589
Other		<u>90,779</u>
Total General Revenues		<u>3,279,784</u>
Increase (Decrease) in Fund Balance		(436,877)
Fund Balance – Beginning of Year		<u>1,119,540</u>
Fund Balance – End of Year	\$	<u><u>682,663</u></u>

The accompanying notes are an integral part of these statements.

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, 2017

Increase (decrease) in fund balance – governmental fund \$ (436,877)

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	\$ 675,467	
Less – current year depreciation expense	<u>(200,290)</u>	475,177

Increases in the accrual of postemployment health
benefits is an expense in the Statement of Net
Position but does not use current financial
resources and therefore is not reflected in the
government fund (20,606)

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 92,500

Loss on disposals of assets 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 (9,062)

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 (4,693)

Increase in net position of governmental activities \$ 96,439

The accompanying notes are an integral part of these statements.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

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

For the Year Ended June 30, 2017

Program Revenue		
Service fees	\$	3,090,308
Connection fee		72,175
Grants		<u>76,352</u>
Total Program Revenue		3,238,835
Expenses		
Salaries and wages		972,270
Employee benefits		622,478
Field operations:		
Material & supplies		13,356
Uniforms		5,632
Chemicals & lab fees		19,436
Minor equipment repair		-0-
Utilities		59,470
Maintenance & repairs		105,058
Training & memberships		9,851
Vehicle maintenance		24,927
Garbage contract		<u>234,904</u>
Total field operations		472,634

(Continued)

The accompanying notes are an integral part of these statements.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

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

For the Year Ended June 30, 2017

Expenses (Continued)

General & administrative		
Board expenses	\$	48,558
Accounting & audit services		31,932
Consultants		108,650
Legal services		14,929
Insurance		33,612
License, permit & contracts		37,994
Office expense		37,813
Travel & meetings		25,009
Office utilities		<u>51,287</u>
Total general & administrative		389,784
Other expenses		
Depreciation		789,647
Interest		45,852
Miscellaneous		<u>1,538</u>
Total other expenses		<u>837,037</u>
Total Expenses		<u>3,294,203</u>
Net Program Revenue		
(Expense)		(55,368)

(Continued)

The accompanying notes are an integral part of these statements.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

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

For the Year Ended June 30, 2017

General Revenues		
Property tax	\$	184,353
Administrative fees		17,084
Interest		90,940
Rental revenue		35,711
Other		<u>19,106</u>
Total General Revenues		<u>347,194</u>
Increase in Fund Balance		291,826
Fund Balance – Beginning of Year		<u>12,061,590</u>
Fund Balance – End of Year	\$	<u><u>12,353,416</u></u>

The accompanying notes are an integral part of these statements.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Statement of Cash Flows

For the Year Ended June 30, 2017

	Business-Type Activities (Utility)
Cash Flows from Operating Activities:	
Cash receipts from customers	\$ 3,253,863
Cash payments to suppliers for goods and services	(1,513,658)
Cash payments to employees for services	(1,023,676)
Other receipts	133,073
Net Cash Provided By Operating Activities	<u>849,602</u>
Cash Flows From Noncapital Financing Activities:	
Receipt of property taxes	<u>184,353</u>
Net Cash Provided By Noncapital Financing Activities	184,353
Cash Flows From Capital and Related Financing Activities:	
Repayment of long-term debt	(172,409)
Interest paid on long-term debt	<u>(47,181)</u>
Net Cash Used By Capital and Related Financing Activities	(219,590)
Cash Flows From Investing Activities:	
Purchase of capital assets	(111,733)
Interest received on cash and investments	<u>90,147</u>
Net Cash Used By Investing Activities	<u>(21,586)</u>
Net Increase In Cash	792,779
Cash and Cash Equivalents – Beginning of Year	<u>6,007,695</u>
Cash and Cash Equivalents – End of Year	<u>\$ 6,800,474</u>

(Continued)

The accompanying notes are an integral part of these statements.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Statement of Cash Flows

For the Year Ended June 30, 2017

	Business-Type Activities (Utility)
	<u> </u>
Reconciliation of Increase in Net Position to Net Cash Used by Operating Activities:	
Increase in net position	\$ 291,826
Adjustments to reconcile increase in net position to net cash used by operating activities:	
Depreciation	789,647
Amortization of debt costs	-0-
Non-operating revenue	(275,293)
Non-operating expenses	45,852
(Increase) decrease in:	
Receivables	26,838
Prepays	(52,392)
Construction in progress	457
Deferred outflows	(359,456)
Increase (decrease) in:	
Accounts payable	(16,647)
Accrued liabilities	(28,783)
Postemployment health benefits	11,164
Net pension liability	503,225
Deferred inflows	<u>(86,836)</u>
 Total adjustments	 <u>557,776</u>
 Net Cash Provided By Operating Activities	 \$ <u><u>849,602</u></u>

The accompanying notes are an integral part of these statements.

Notes
to the
Financial
Statements

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2017

(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, 2017

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

Government-Wide Financial Statements (Continued)

The District applies all applicable GASB pronouncements as well as the following pronouncements 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.

Governmental Fund

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

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

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

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

For the year ended June 30, 2017, the District realized a decrease in fund balance for the governmental fund of \$(436,877). This is primarily a result of investing current assets into capital assets. This further resulted in an unassigned fund balance of \$(58,616) as of June 30, 2017. 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, 2017

(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, 2017

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

Designated Net Position

The District records reserves to indicate that a portion of the fund balance is legally segregated for a specific future use (Note 10).

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, 2017

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

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, 2017 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, 2015
Measurement Date (MD)	June 30, 2016
Measurement Period (MP)	July 1, 2015 to June 30, 2016

At June 30, 2017, the District had an undesignated unrestricted deficit of \$(2,320,298) (\$1,718,848) for governmental activities and \$(601,450) for business-type activities). This resulted in an unrestricted net position of \$(1,326,180) for governmental activities. This 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, 2017

(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 November 18, 2017, 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, 2017, the District's cash and investment balances included the following:

Pooled cash	\$ 690,798
Pooled investments	<u>6,938,592</u>
	<u>\$ 7,629,390</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, 2017

(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. 40 as being collateralized with securities held by the pledging financial institution or its agent but not in the District's name.

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

The District's investments in the State and County investment pool are 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	\$ 23,540	23,540
ProEquities Certificate of Deposit	248,598	248,598
ProEquities Money Market	3,000	3,000
Placer County Pooled Investment Fund	<u>6,663,454</u>	<u>6,663,454</u>
Total	<u>\$ 6,938,592</u>	<u>6,938,592</u>

The District's investments with Local Agency Investment Fund (LAIF) at June 30, 2017 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.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2017

(2) CASH AND INVESTMENTS: (Continued)

Interest Rate Risk

The District does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The District's investments in the Placer County investment pool have not been rated by a nationally recognized statistical agency.

(3) FAIR VALUE MEASUREMENTS:

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District has the following recurring fair value measurements as of June 30, 2017:

- a) State of California Local Agency Investment Fund of \$23,540 is valued using the underlying quoted market prices (Level 2 inputs)
- b) Placer County Pooled Investment Fund of \$6,663,454 is valued using the underlying quoted market prices (Level 2 inputs)
- c) Pro Equities Certificate of Deposit of \$251,598 is valued using the underlying quoted market prices (Level 2 inputs)

Notes to the Financial Statements

For the Year Ended June 30, 2017

(4) CAPITAL ASSETS:

A summary of Governmental Activities capital assets is presented below:

	Balance July 1, 2016	Additions	Deletions	Transfers	Balance June 30, 2017
Fire Department:					
Land	\$ 1,012,603	-0-	-0-	-0-	1,012,603
Buildings	4,905,022	1,790	2,722	-0-	4,904,090
Equipment	1,699,896	514,478	378,768	15,207	1,850,813
Master plan	1,137	-0-	-0-	-0-	1,137
Construction in progress	15,207	159,199	-0-	(15,207)	159,199
Total Capital Assets	7,633,865	<u>675,467</u>	<u>381,490</u>	<u>-0-</u>	7,927,842
Accumulated Depreciation	(2,920,237)	<u>(200,290)</u>	<u>372,427</u>	<u>-0-</u>	(2,748,100)
Net Book Value	\$ <u>4,713,628</u>				<u>5,179,742</u>

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

	Balance July 1, 2016	Additions	Deletions	Transfers	Balance June 30, 2017
Utility Department:					
Water system	\$ 10,843,030	15,667	281,065	30,855	10,608,517
Sewage system	5,754,933	9,330	85,903	32,758	5,711,118
Interceptors	1,183,280	-0-	-0-	-0-	1,183,280
Other	7,443,616	3,580	27,074	-0-	7,436,072
Construction in progress	80,050	116,458	457	(79,593)	116,458
Total Capital Assets	25,304,909	<u>145,035</u>	<u>394,499</u>	<u>-0-</u>	25,055,445
Accumulated Depreciation	(15,398,899)	<u>(789,647)</u>	<u>394,042</u>	<u>-0-</u>	(15,794,504)
Net Book Value	\$ <u>9,906,010</u>				<u>9,260,941</u>

Notes to the Financial Statements

For the Year Ended June 30, 2017

(5) 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 payment occurring on December 24, 2016. This loan is now paid off in its entirety.

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. Since the loan is older than twelve years, the loan can be prepaid without being subject to penalties.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2017

(5) LONG-TERM DEBT: (Continued)

A summary of the District's Governmental Activities long-term debt at June 30, 2017 is as follows:

	Balance June 30, 2016	<u>Additions</u>	<u>Payments</u>	Balance June 30, 2017
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	\$ 92,500	-0-	92,500	-0-
Total Long-Term Debt	92,500	<u>-0-</u>	<u>92,500</u>	-0-
Less Current Installments of Long-Term Debt	<u>92,500</u>			<u>-0-</u>
Long-Term Debt Excluding Current Installments	\$ <u>-0-</u>			<u>-0-</u>

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2017

(5) LONG-TERM DEBT: (Continued)

A summary of the District's Business-Type Activities long-term debt at June 30, 2017 is as follows:

	<u>Balance June 30, 2016</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance June 30, 2017</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	\$ 92,500	-0-	92,500	-0-
3.63% lease faculty for \$2,000,000, 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>1,273,962</u>	<u>-0-</u>	<u>79,909</u>	<u>1,194,053</u>
Total Long-Term Debt	<u>1,366,462</u>	<u>-0-</u>	<u>172,409</u>	<u>1,194,053</u>
Less Current Installments of Long-Term Debt	<u>172,409</u>			<u>82,570</u>
Long-Term Debt Excluding Current Installments	<u>\$ 1,194,053</u>			<u>1,111,483</u>

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2017

(5) LONG-TERM DEBT: (Continued)

The annual requirements to amortize District long-term debt as of June 30, 2017 is as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 82,570	41,969	124,539
2019	85,320	38,926	124,246
2020	88,161	35,782	123,943
2021	91,097	32,533	123,630
2022	94,130	29,175	123,305
2023 through 2027	519,810	91,471	611,281
2028 through 2029	<u>232,965</u>	<u>8,875</u>	<u>241,840</u>
	<u>\$ 1,194,053</u>	<u>278,731</u>	<u>1,472,784</u>

(6) 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 District is not responsible for the 457 Plan, accordingly these investments are not included in the accompanying financial statements.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2017

(7) 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 62). 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, 2017

(7) 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 the 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, 2016 (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 & Second Tier Plan	2.000%	25.524%	27.524%
Third Tier Plan	2.000%	22.627	24.627
PEPRA Plan	2.000%	20.153	22.153
Business-Type Activity (Utility Department)			
First & Second Tier Plan	2.000%	18.512%	20.512%
PEPRA Plan	2.000	11.703	13.703

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

At June 30, 2017, the District reported a liability of \$4,899,585 (\$2,579,354 for governmental activities and \$2,320,231 for business-type activities) for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2016, the District's proportion was 0.04980% for the governmental activities pool and 0.06679% for the business-type activities pool, which compares to 0.04803% the governmental activities pool and 0.06623% for the business-type activities pool at June 30, 2015.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2017

(7) 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, 2017, the District recognized pension expense of \$638,969 (\$361,129 for governmental activities and \$277,840 for business-type activities). At June 30, 2017, 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>
Differences between expected and actual experience	\$ -0-	25,664
Changes of assumptions	-0-	111,896
Net difference between projected and actual earnings on pension plan investments	549,738	-0-
Changes in proportion and differences between District contributions and proportionate share of contributions	241,958	65,068
District contributions subsequent to the measurement date	<u>356,437</u>	<u>-0-</u>
Total	<u>\$ 1,148,133</u>	<u>202,628</u>

	<u>Business-Type Activities</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 6,185	-0-
Changes of assumptions	-0-	75,907
Net difference between projected and actual earnings on pension plan investments	395,070	-0-
Changes in proportion and differences between District contributions and proportionate share of contributions	121,818	39,094
District contributions subsequent to the measurement date	<u>220,906</u>	<u>-0-</u>
Total	<u>\$ 743,979</u>	<u>115,001</u>

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2017

(7) 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 \$577,343 (\$356,437 for governmental activities and \$220,906 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, 2018. 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
6/30/18	\$ 100,580	60,197	160,777
6/30/19	96,646	59,868	156,514
6/30/20	248,729	185,678	434,407
6/30/21	143,113	102,328	245,441
6/30/22	-0-	-0-	-0-

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

For the measurement period ending June 30, 2016 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2015 total pension liability. Both the June 30, 2016 total pension liability and the June 30, 2015 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	7.65% for 6/30/16, 7.65% for 6/30/15
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.65% 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, 2017

(7) 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, 2015 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 7.65 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 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 percent 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. CalPERS has approved to adjust the discount rate to 7% by 2020.

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, 2017

(7) 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 Debt Securities	19.0	0.99	2.43
Inflation Assets	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 7.65 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 (6.65 percent) or 1 percentage-point higher (8.65 percent) than the current rate:

	Discount Rate – 1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate +1% (8.65%)
Governmental Activities	\$ 4,007,082	2,579,354	1,407,337
Business-Type Activities	3,530,138	2,320,231	1,320,302
Total	\$ 7,537,220	4,899,585	2,727,639

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, 2017

(7) NET PENSION LIABILITY: (Continued)

g) Payables to the Pension Plan

At June 30, 2017, 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		3,803
	\$	<u>3,803</u>

(8) 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, 2017 was \$6,096,887. The District's actual annual proceeds of taxes for the year ended June 30, 2017 was \$3,342,349, leaving a margin of \$2,754,538.

The proceeds of taxes limitation adopted by the District for the year ended June 30, 2018 is \$6,357,897.

(9) RESTRICTED NET POSITION:

Net position is subject to the following legal restrictions:

Governmental Activities:	
Fire – protection fees	\$ <u>236,825</u>
Total Restricted Net Position – Governmental Activities	\$ <u>236,825</u>
Business-Type Activities:	
Capital projects - water	\$ 785,561
Capital projects - sewer	-0-
Inflow and infiltration	<u>154,645</u>
Total Restricted Net Position – Business-Type Activities	\$ <u>940,206</u>

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2017

(10) 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	\$ 166,174
Fixed asset replacement fund - building	<u>226,494</u>
Total Designated Net Position	392,668
Undesignated Net Position	<u>(1,718,848)</u>
Total Unrestricted Net Position – Governmental Activities	<u>\$ (1,326,180)</u>

Business-Type Activities:

Fixed asset replacement fund - water	\$ 621,529
Fixed asset replacement fund - sewer	3,153,892
Garbage	<u>172,351</u>
Total Designated Net Position	3,947,772
Undesignated Net Position	<u>(601,450)</u>
Total Unrestricted Net Position – Business-Type Activities	<u>\$ 3,346,322</u>

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

Nonspendable fund balance consists of receivables (\$1,910), prepaid expenses (\$110,692) 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.

(12) 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, 2017 were \$243,959 while expenses, both direct and allocated, totaled \$235,922.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2017

(13) GRANTS:

In January of 2017, the District experienced severe weather which resulted in the Federal Government declaring a natural disaster; of which the District qualified for relief funds. The District submitted for reimbursement of funds relating to overtime hours worked as well as equipment used during the week of the disaster. As of June 30, 2017 the District has received no reimbursements, resulting in a receivable in the amount of \$15,699.

In May 2015, the District entered into a grant agreement with the South Tahoe Public Utility District (STPUD) regarding a pass through grant from the California Department of Water Resources. Grant funds are to be used for the District's Regional Water Use Efficiency Program. The grant provides that the STPUD will pay you up to \$25,246 of costs. As of June 30, 2017, the District had expended \$2,200 for the project. The District had received no reimbursements as of June 30, 2017, resulting in a receivable in the amount of \$2,200.

Since 2011, the District has received grant funds from local business and organizations to provide snow removal for 2.3 miles of bike trails within the Valley. The contributions are voluntary and are used solely to have a clear and safe path for visitors and residents to walk during the months of November – April. In fiscal year 2017 we received \$40,330 from the North Lake Tahoe Resort Association, \$18,000 from the Resort at Squaw Creek, \$10,500 from the Squaw Valley Business Association, \$8,000 from the Squaw Valley Resort, and \$1,500 from the Property Owners Association. Any funds received in excess of what was spent are put to a customer deposit account which will be used in future years if we have a higher than average snowfall year.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2017

(14) 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 eight 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.

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, 2017. The following information is presented based on the plan's June 30, 2016 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:

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2017

(14) POSTEMPLOYMENT HEALTH BENEFITS: (Continued)

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

	Governmental Activities	Business- Type Activities
Annual required contributions	\$ 18,202	5,733
Interest on net Postemployment Health Benefit obligation	7,054	12,340
Annual Postemployment Health Benefit cost (expense)	25,256	18,073
Contributions made	(4,650)	(6,909)
Increase (Decrease) in net Postemployment Health Benefit obligation	20,606	11,164
Net Postemployment Health Benefit obligation – beginning of year	117,563	205,669
Net Postemployment Health Benefit obligation – end of year	\$ 138,169	216,833

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2017

(14) 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, 2015, 2016, and 2017 were as follows:

<u>Fiscal Year Ended</u>	<u>Governmental Activities</u>		
	<u>Annual Postemployment Health Benefit Cost</u>	<u>Percentage of Annual Postemployment Health Benefit Cost Contributed</u>	<u>Net Postemployment Health Benefit Obligation</u>
6/30/2015	\$ 15,264	7.3 %	\$ 138,347
6/30/2016	(17,896)	(16.1)	117,563
6/30/2017	25,256	18.4	138,169

<u>Fiscal Year Ended</u>	<u>Business-Type Activities</u>		
	<u>Annual Postemployment Health Benefit Cost</u>	<u>Percentage of Annual Postemployment Health Benefit Cost Contributed</u>	<u>Net Postemployment Health Benefit Obligation</u>
6/30/2015	\$ (13,246)	(25.6) %	\$ 208,420
6/30/2016	1,596	272.4	205,669
6/30/2017	18,703	38.2	216,833

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2017

(14) POSTEMPLOYMENT HEALTH BENEFITS: (Continued)

d) Funded Status and Funding Progress

The funded status of the plan as of June 30, 2017, was as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Actuarial accrued liability (AAL)	\$ 138,169	216,833
Actuarial value of plan assets	<u>-0-</u>	<u>-0-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 138,169</u>	<u>216,833</u>
Funded ratio (actuarial value of plan assets/AAL)	0%	0%
Covered payroll (active plan members)	\$ 1,426,607	\$ 1,141,501
UAAL as a percentage of covered payroll	9.7%	19.0%

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, 2017 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, 2017

(15) 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, 2017

(16) RENTAL ACTIVITY:

The District rents idle facilities to outside parties. These facilities have an original cost of \$985,171, accumulated depreciation of \$942,683, and a net book value of \$42,487. Rental income of \$53,300 is reflected in the Statement of Activities for the Business-Type and Government Activity. Expenses for the rental activity, which are also reflected in the Statement of Activities, are as follows:

Salaries and benefits	\$ 10,468
Maintenance and repairs	4,467
Insurance	1,099
Utilities	10,681
Depreciation	<u>26,137</u>
Total Expenses	\$ <u>52,852</u>

Future minimum rentals on non-cancelable leases for these rentals are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2018	\$ 74,607
2019	64,944
2020	65,394
2021	<u>59,388</u>
	\$ <u>264,333</u>

(17) INTER-ACTIVITY BALANCES:

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

Required
Supplementary
Information
(Unaudited)

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, 2017

	Original and Final Budget	Actual	Budget Variance (Over) Under
Program Revenue			
Mutual aid	\$ -0-	45,320	(45,320)
Fire protection fee	12,000	9,654	2,346
Total Program Revenue	12,000	54,974	(42,974)
Expenditures			
Salaries and wages	1,725,345	1,869,347	(144,002)
Employee benefits	977,396	831,945	145,451
Field operations			
Material & supplies	14,800	12,964	1,836
Uniforms	8,000	9,974	(1,974)
Utilities	44,160	44,149	11
Maintenance & repairs	76,751	83,086	(6,335)
Radio communications	2,700	1,958	742
Training & memberships	43,415	46,937	(3,522)
Fire prevention	1,800	3,134	(1,334)
Vehicle maintenance	38,700	24,142	14,558
Total field operations	230,326	226,344	3,982
General & administrative			
Board expenses	20,736	16,128	4,608
Accounting & audit services	15,665	18,182	(2,517)
Legal services	4,700	4,073	627
Insurance	22,060	22,289	(229)
Office expense	9,920	8,919	1,001
Travel & meetings	3,205	3,240	(35)
Other	-0-	935	(935)
Total general & administrative	76,286	73,766	2,520

(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, 2017

	Original and Final Budget	Actual	Budget Variance (Over) Under
Expenditures (Continued)			
Other expenditures			
Capital outlay	\$ 690,708	675,467	15,241
Debt service	94,766	92,500	2,266
Interest	6,738	2,266	4,472
Total other expenditures	<u>792,212</u>	<u>770,233</u>	<u>21,979</u>
Total Expenditures	<u>3,801,565</u>	<u>3,771,635</u>	<u>29,930</u>
Net Program Revenue (Expenditures)	(3,789,565)	(3,716,661)	(72,904)
General Revenues			
Property tax	3,231,170	3,157,996	73,174
Grants	-0-	500	(500)
Interest	-0-	12,920	(12,920)
Rental Revenue	12,042	17,589	(5,547)
Other	76,200	90,779	(14,579)
Total General Revenues	<u>3,319,412</u>	<u>3,279,784</u>	<u>39,628</u>
Increase (Decrease) in Fund Balance	\$ <u>(470,153)</u>	(436,877)	<u>33,276</u>
Fund Balance – Beginning of Year		<u>1,119,540</u>	
Fund Balance – End of Year		<u>\$ 682,663</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, 2017

	Original and Final Budget	Actual	Budget Variance (Over) Under
Program Revenue			
Service fees	\$ 3,091,333	3,090,308	1,025
Connection fee	52,000	72,175	(20,175)
Grants	151,961	76,352	75,609
Total Program Revenue	3,295,294	3,238,835	56,459
Expenses			
Salaries and wages	973,007	972,270	737
Employee benefits	586,094	622,478	(36,384)
Field operations:			
Material & supplies	17,500	13,356	4,144
Uniforms	4,500	5,632	(1,132)
Chemicals & lab fees	18,000	19,436	(1,436)
Minor equipment repair	-0-	-0-	-0-
Utilities	50,370	59,470	(9,100)
Maintenance & repairs	126,828	105,058	21,770
Training & memberships	20,800	9,851	10,949
Vehicle maintenance	29,400	24,927	4,473
Garbage contract	234,000	234,904	(904)
Total field operations	501,398	472,634	28,764

(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, 2017

Expenses (Continued)	Original and Final Budget	Actual	Budget Variance (Over) Under
General & administrative			
Board expenses	\$ 47,608	48,558	(950)
Accounting & audit services	28,936	31,932	(2,996)
Consultants	129,000	108,650	20,350
Legal services	14,100	14,929	(829)
Insurance	37,729	33,612	4,117
License, permit & contracts	34,928	37,994	(3,066)
Office expense	38,425	37,813	612
Travel & meetings	13,116	25,009	(11,893)
Office utilities	53,939	51,287	2,652
Total general & administrative	397,781	389,784	7,997
Other expenses			
Depreciation	804,487	789,647	14,840
Interest	54,759	45,852	8,907
Miscellaneous	-0-	1,538	(1,538)
Total other expenses	859,246	837,037	22,209
Total Expenses	3,317,526	3,294,203	23,323
Net Program Revenue (Expense)	(22,232)	(55,368)	33,136

(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, 2017

	Original and Final Budget	Actual	Budget Variance (Over) Under
General Revenues			
Property tax	\$ 170,062	184,353	(14,291)
Administrative fees	33,696	17,084	16,612
Interest	7,260	90,940	(83,680)
Rental revenue	24,450	35,711	(11,261)
Other	<u>10,000</u>	<u>19,106</u>	<u>(9,106)</u>
 Total General Revenues	 <u>245,468</u>	 <u>347,194</u>	 <u>(101,726)</u>
 Increase (Decrease) in Fund Balance	 \$ <u>223,236</u>	 291,826	 <u>(68,590)</u>
 Fund Balance – Beginning of Year		 <u>12,061,590</u>	
 Fund Balance – End of Year		 \$ <u>12,353,416</u>	

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Schedule of the District's Proportionate Share of the Net Pension Liability
Last 10 Years*

Governmental Activities

	<u>6/30/17</u>	<u>6/30/16</u>	<u>6/30/15</u>
District's proportion of the net pension liability (asset)	0.04980 %	0.04803 %	0.045323 %
District's proportionate share of the net pension liability (asset)	\$ 2,579,354	1,979,217	1,398,722
District's covered-employee payroll	\$ 1,409,624	1,388,693	1,267,582
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	182.98 %	142.52 %	110.35 %
Plan fiduciary net position as a percentage of the total pension liability	75.48 %	79.14 %	81.42 %

Business-Type Activities

	<u>6/30/16</u>	<u>6/30/16</u>	<u>6/30/15</u>
District's proportion of the net pension liability (asset)	0.06679 %	0.06623 %	0.056594 %
District's proportionate share of the net pension liability (asset)	\$ 2,320,231	1,817,006	1,700,068
District's covered-employee payroll	\$ 1,159,919	1,047,508	998,317
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	200.03 %	173.46 %	170.29 %
Plan fiduciary net position as a percentage of the total pension liability	74.18 %	79.15 %	83.03 %

Notes to Schedule:

Methods and assumptions used to determine contribution rates:

Valuation date	June 30, 2015	June 30, 2014	June 31, 2013
Actuarial cost method	Entry age normal cost method		
Amortization method	Level percent of payroll		
Asset valuation method	Market value		
Actuarial assumptions:			
Discount rate	7.65%	7.65%	7.50%
Projected salary increases	Varies by entry age and service		
Inflation	2.75%	2.75%	2.75%
Payroll growth	3.00%	3.00%	3.00%

*Omitted years: GASB statement No. 68 was implemented during the year ended June 30, 2015

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Schedule of District Contributions
Last 10 Years*

Governmental Activities

	<u>6/30/17</u>	<u>6/30/16</u>	<u>6/30/15</u>
Contractually required contribution	\$ 356,437	329,377	301,932
Contributions in relation to the contractually required contribution	<u>(356,437)</u>	<u>(329,377)</u>	<u>(301,932)</u>
Contribution deficiency (excess)	<u>\$ -0-</u>	<u>-0-</u>	<u>-0-</u>
District's covered-employee payroll	\$ 1,409,624	1,388,693	1,267,582
Contributions as a percentage of covered-employee payroll	25.29%	27.32%	23.82%

Business-Type Activities

	<u>6/30/17</u>	<u>6/30/16</u>	<u>6/30/15</u>
Contractually required contribution	\$ 220,906	224,552	192,826
Contributions in relation to the contractually required contribution	<u>(220,906)</u>	<u>(224,552)</u>	<u>(192,826)</u>
Contribution deficiency (excess)	<u>\$ -0-</u>	<u>-0-</u>	<u>-0-</u>
District's covered-employee payroll	1,159,911	1,047,508	998,317
Contributions as a percentage of covered-employee payroll	19.04%	21.43%	19.32%

Notes to Schedule:

Methods and assumptions used to determine contribution rates:

Valuation date	June 30, 2015	June 30, 2014	June 31, 2013
Actuarial cost method	Entry age normal cost method		
Amortization method	Level percent of payroll		
Asset valuation method	Market value		
Actuarial assumptions:			
Discount rate	7.65%	7.65%	7.50%
Projected salary increases	Varies by entry age and service		
Inflation	2.75%	2.75%	2.75%
Payroll growth	3.00%	3.00%	3.00%

*Omitted years: GASB statement No. 68 was implemented during the year ended June 30, 2015

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, 2017

	<u>Water Department</u>	<u>Sewer Department</u>	<u>Garbage Contract</u>	<u>Other</u>	<u>Total Business-Type Activities (Utility)</u>
Program Revenue					
Service fees	\$ 1,519,649	1,226,613	243,959	100,087	3,090,308
Connection fee	62,550	9,625	-0-	-0-	72,175
Grants	<u>17,798</u>	<u>-0-</u>	<u>-0-</u>	<u>58,554</u>	<u>76,352</u>
Total Program Revenue	1,599,997	1,236,238	243,959	158,641	3,238,835
Expenses					
Salaries and wages	583,674	353,241	792	34,563	972,270
Employee benefits	375,496	227,482	195	19,305	622,478
Field operations					
Material & supplies	7,931	5,425	-0-	-0-	13,356
Uniforms	3,596	2,036	-0-	-0-	5,632
Chemicals & lab fees	19,436	-0-	-0-	-0-	19,436
Minor equipment repair	-0-	-0-	-0-	-0-	-0-
Utilities	54,111	5,359	-0-	-0-	59,470
Maintenance & repairs	50,124	22,755	-0-	32,179	105,058
Training & memberships	5,991	3,860	-0-	-0-	9,851
Vehicle maintenance	15,744	9,183	-0-	-0-	24,927
Garbage contract	<u>-0-</u>	<u>-0-</u>	<u>234,904</u>	<u>-0-</u>	<u>234,904</u>
Total field operations	156,933	48,618	234,904	32,179	472,634

(Continued)

SQUAW VALLEY PUBLIC SERVICE DISTRICT

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

For the Year Ended June 30, 2017

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	\$ 31,563	16,995	-0-	-0-	48,558
Accounting & audit services	20,756	11,176	-0-	-0-	31,932
Consultants	70,623	38,027	-0-	-0-	108,650
Legal services	9,704	5,225	-0-	-0-	14,929
Insurance	21,848	11,764	-0-	-0-	33,612
License, permit & contracts	24,696	13,298	-0-	-0-	37,994
Office expense	24,579	13,234	-0-	-0-	37,813
Travel & meetings	16,256	8,753	-0-	-0-	25,009
Office utilities	33,337	17,950	-0-	-0-	51,287
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total general & administrative	253,362	136,422	-0-	-0-	389,784
Other expenses					
Depreciation	515,014	274,633	-0-	-0-	789,647
Interest	29,804	16,048	-0-	-0-	45,852
Miscellaneous	1,538	-0-	-0-	-0-	1,538
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total other expenses	546,356	290,681	-0-	-0-	837,037
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenses	1,915,821	1,056,444	235,891	86,047	3,294,203
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net Program Revenue (Expense)	(315,824)	179,794	8,068	72,594	(55,368)

(Continued)

SQUAW VALLEY PUBLIC SERVICE DISTRICT

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

For the Year Ended June 30, 2017

	<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	\$ 184,353	-0-	-0-	-0-	184,353
Administrative fees	1,716	924	-0-	14,444	17,084
Interest	31,190	57,022	2,728	-0-	90,940
Rental revenue	23,212	12,499	-0-	-0-	35,711
Other	<u>12,419</u>	<u>6,687</u>	<u>-0-</u>	<u>-0-</u>	<u>19,106</u>
Total General Revenues	<u>252,890</u>	<u>77,132</u>	<u>2,728</u>	<u>14,444</u>	<u>347,194</u>
Increase (Decrease) in Net Position	<u>\$ (62,934)</u>	<u>256,926</u>	<u>10,796</u>	<u>87,038</u>	<u>291,826</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, 2017

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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 18, 2017.

Internal Control over Financial Reporting

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

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

McClintock Accountancy Corporation

McCLINTOCK ACCOUNTANCY CORPORATION
Tahoe City, California
November 18, 2017