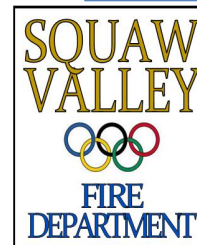




SQUAW VALLEY PUBLIC SERVICE DISTRICT



AUDIT REPORT FOR FISCAL YEAR 2018-2019

DATE: November 19, 2019

TO: District Board Members

FROM: Danielle Grindle, Finance & Administration Manger

SUBJECT: Audit Review for Fiscal Year 2018-2019

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.

ALTERNATIVES: This report is for information only and no action is requested of the Board.

FISCAL/RESOURCE IMPACTS: None.

RECOMMENDATION: This report is for information only and no action is requested of the Board.

ATTACHMENTS: Cover Letter Report to the Board of Directors (2 pages); Basic Financial Statements & Independent Auditors' Report (78 pages).

DATE PREPARED: November 15, 2019

SQUAW VALLEY PUBLIC SERVICE DISTRICT

REPORT TO THE BOARD OF DIRECTORS

June 30, 2019

1. This is our report on the SVPSD 6/30/19 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 was one audit adjustment proposed and provided to management compared to three in prior year. The proposed adjustment related to a reclassification of deferred revenue. Six adjustments relating to the final capital reserve allocations were 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, 2019

Current Year Matters

1. New Accounting Pronouncements

Below is a listing of new accounting pronouncements for determination of impact to the District:

Government Accounting Standards Board Statement No. 87

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

SQUAW VALLEY PUBLIC SERVICE DISTRICT

OLYMPIC VALLEY, CALIFORNIA

BASIC FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

For the Year Ended

June 30, 2019

SQUAW VALLEY PUBLIC SERVICE DISTRICT

TABLE OF CONTENTS

June 30, 2019

Management’s Discussion and Analysis (Required Supplementary Information – Unaudited)	3
Independent Auditors’ Report on Financial Statements	12
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	15
Statement of Activities and Changes in Net Position	17
Fund Financial Statements	
Balance Sheet	20
Reconciliation of the Balance Sheet of Governmental Fund to the Statement of Net Position (Fire)	22
Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Fund (Fire) ..	23
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of the Governmental Fund to the Statement of Activities (Fire)	25
Statement of Revenues, Expenses, and Changes in Fund Net Position Proprietary Fund (Utility)	26
Statement of Cash Flows Proprietary Fund (Utility)	29
Notes to the Financial Statements	31
Required Supplementary Information (Unaudited)	
Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual Governmental Fund (Fire).....	58
Statement of Revenues, Expenses, and Changes in Fund Net Position Budget and Actual Proprietary Fund (Utility)	60
Schedule of the District’s Proportionate Share of Net Pension Liability (Unaudited).....	63
Schedule of District Contributions for Pensions (Unaudited).....	64
Schedule of Changes in the Total OPEB Liability as of Measurement Date	65
Supplementary Information	
Combining Statement of Activities and Changes in Net Position Business-Type Activities	67
Independent Auditors’ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards	

**SQUAW VALLEY PUBLIC SERVICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING JUNE 30, 2019**

Management's Discussion and Analysis (Required Supplementary Information – Unaudited)

The management of the Squaw Valley Public Service District offers this narrative overview of the financial activities of the District for the fiscal year ending June 30, 2019. All information presented here should be read in conjunction with the District's audited financial statements following this section.

Financial Highlights

- ✓ Total current assets exceeded total liabilities by \$641,000. This is an increase from FY2018 when current assets exceeded total liabilities by \$354,000. This is primarily due to an increase in cash and investments as well as reducing debt from the building loan (note 5). This is offset by an increase in payables for current projects and an increase in Other Post-Employment Benefits (note 14).
- ✓ Net pension liability was recorded at \$5,727,000 (\$3,077,000 for Fire and \$2,650,000 for Utility). This is a \$46,000 increase for the Fire department and a \$47,000 decrease for the Utility Department, for a net decrease of \$1,000 from the prior year (note 7).
- ✓ This is the second year of GASB 75 implementation (note 14). The post-employment health benefit liability was recorded at \$626,502 (\$281,926 for Fire and \$344,576 for Utility). This is an increase of \$9,970 from the prior year.
- ✓ Total net position increased by \$837,000, or 5%, from the prior year. There was an increase to program revenues (mostly rate revenue) as well as general revenue (mostly property tax revenue). This was offset by an increase to salaries and benefits as well as general field operation expenses.
- ✓ Of the total net position, \$878,000 is restricted and must be used only for specific purposes, \$5,748,000 is unrestricted and available in our fixed asset replacement funds, however, \$2,507,000 of this unrestricted balance is dedicated to future debt obligations (note 10).
- ✓ From fiscal year 2018, water rates increased by 4% and sewer increased by 5%.
- ✓ Property tax revenues increased by \$132,000 from the 2017-18 tax roll, or about 3.8%

Major projects this year included:

- Continued construction of the Truckee River Siphon Replacement which is the largest sewer project in the District's history.
- The District received funding to provide snow removal services on the Squaw Valley Bike Trail. The District contracted solely with Placer County. There was a small surplus which was put into a reserve account.
- The Utility Department completed manhole and sewer line inspections for about one quarter of the District's sewer system.
- This was the fifth year of providing Operations & Maintenance services to the Mutual Water Company. Revenue generated was \$101,000.
- The fuel tank at 305 Squaw Valley Road was replaced as mandated by State air quality standards.

**SQUAW VALLEY PUBLIC SERVICE DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING JUNE 30, 2019**

- The Fire Department replaced two ALS monitors/defibrillators.
- The District formed a Community Facilities District (CFD) in June of 2019 to fund acquisition of a 29 acre piece of land in the Valley called the “Olympic Meadow Preserve”. There is currently no estimate of when this land acquisition will be completed.

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 improvements, 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 which can serve to stabilize rates over time. 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, also known as accrual based accounting. 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.

**SQUAW VALLEY PUBLIC SERVICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING JUNE 30, 2019**

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

FUND FINANCIAL STATEMENTS

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

Governmental Funds are used to account for essentially the same functions reported as governmental activities with focus on the *fiscal year inflows 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				Dollar	Percent
	Activities		Activities					
	(Fire)		(Utility)		Total		Change	Change
	2018	2019	2018	2019	2018	2019		
Program & Grant Revenue	\$ 93	87	3,603	3,805	3,696	3,892	\$ 196	5%
General Revenues								
Property Tax	3,367	3,426	69	142	3,436	3,568	132	4%
Administrative Fees	70	65	18	4	88	69	(19)	-22%
General Grants	-	-	-	-	-	-	-	0%
Dedications	-	-	-	193	-	193	193	0%
Interest	12	14	117	160	129	174	45	35%
Rental Revenue	26	30	54	60	80	90	10	12%
Other	4	1	11	-	15	1	(14)	-93%
Total Revenues	\$ 3,572	3,623	3,872	4,364	7,444	7,987	\$ 543	7%
Expenses	\$ 3,498	3,606	3,403	3,544	6,901	7,150	\$ 249	4%
Increase (Decrease) in Net Position	\$ 74	17	469	820	543	837	--	--

Total change in Net Position increased by \$837,000. Program and Grant revenue received for the year amounted to \$3,892,000. This is an increase from the prior year primarily due to an increase in service fees of \$161,000 and connection fees of \$50,000.

**SQUAW VALLEY PUBLIC SERVICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING JUNE 30, 2019**

General Revenues increased by \$347,000 mostly due to property taxes increasing by \$132,000, interest increasing by \$45,000, and asset dedications in the amount of \$193,000. This is offset by a reduction in administration fee revenue of \$19,000.

Total revenues have increased by \$543,000, or 7%, and expenses have increased \$249,000, or 4%. There was a \$98,000, or 3% increase in salaries. This was mostly due to cost of living adjustments. There was a \$135,000, or 7%, increase in benefits, mostly due to the PERS pension expense per GASB 68 valuation reports increasing by \$93,000 from the prior year. There was a \$39,000, or 6%, increase to field operations mostly due to the increase in cost for chemical supplies as well as unforeseen maintenance to District buildings. This was offset by a reduction in depreciation of \$36,000.

	Changes in Net Assets (In Thousands)							
	Governmental		Business-Type		Total		Dollar	Percent
	Activities		Activities					
	(Fire)		(Utility)				Change	Change
	2018	2019	2018	2019	2018	2019	\$	%
Current and other Assets	\$ 1,118	1,163	7,579	8,189	8,697	9,352	\$ 655	8%
Non-Current Assets	5,444	5,341	8,991	9,178	14,435	14,519	84	1%
Total Assets	\$ 6,562	6,504	16,570	17,367	23,132	23,871	\$ 739	3%
Deferred Outflows	\$ 1,304	1,460	913	1,284	2,217	2,744	\$ 527	24%
Current Liabilities	\$ 431	448	542	972	973	1,420	\$ 447	46%
Non-Current Liabilities	3,310	3,358	4,061	3,933	7,371	7,291	(80)	-1%
Total Liabilities	\$ 3,741	3,806	4,603	4,905	8,344	8,711	\$ 367	4%
Deferred Inflows	80	95	151	197	231	292	61	26%
Net Position:								
Net Inv in Capital Assets	\$ 5,218	5,114	8,106	8,378	13,324	13,492	\$ 168	1%
Restricted	2	24	748	855	750	879	129	17%
Unrestricted	(1,174)	(1,076)	3,875	4,317	2,701	3,241	540	20%
Total Net Position	\$ 4,046	4,062	12,729	13,550	16,775	17,612	\$ 837	5%

Total Current Assets have increased \$655,000, or 8% from the prior year. Cash and Cash Equivalents have increased \$815,000 due to increased fees, increased ad valorem tax revenues, strike teams and delayed spending on 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.

**SQUAW VALLEY PUBLIC SERVICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING JUNE 30, 2019**

Delinquent service fees in the amount of \$27,720 were submitted to Placer County for collection on the 2019-2020 property tax rolls, which is a 3% increase from the prior year. These delinquencies total less than 1% of the total billed revenue.

Prepaid accounts decreased by \$156,000 mostly due to timing of when workers compensation and property liability insurance was paid.

Net non-current assets (fixed assets) totaled \$14,519,000 which is \$84,000 greater than the prior year. The District added new assets to its inventory such as a fuel vault, manhole inspections, and ACLS monitors/defibrillators. On the other hand some assets were disposed of or reached the end of their useful lives. As the District's infrastructure ages, assets are strategically replaced as guided by Capital Replacement Plans. 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 increased \$447,000 from the prior year, mostly due to current invoices due to contractors working on the Truckee River Siphon. Also note the only long term debt remaining is for the building at 305 Squaw Valley Road.

Net Noncurrent Liabilities have decreased by \$80,000. The District continues to pay-off its long-term debt obligation for its administration and fire headquarters (maturing in 2028), resulting in a reduction of \$88,000 from the prior fiscal year. Postemployment Health Benefits increased by \$10,000. This is due to the implementation of GASB 75 which is an actuarially determined number based on any eligible employee who may receive a post-employment health insurance stipend through the District's plan. The Net Pension Liability decreased \$1,000. 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.

During the fiscal year, the Enterprise portion of the District had a cash surplus of \$622,000, which was 2% less than the prior year's cash surplus of \$636,000. There was an increase of \$213,000 in cash received from customers, \$43,000 increase in interest received, and a \$73,000 increase in ad valorem revenue allocated to the Utility Department. There was also a \$418,000 decrease in the purchases of capital assets. This is offset by a \$684,000 increase in payments made to suppliers for goods and services as well as employees. Lastly, there was a \$77,000 decrease in other cash received mostly related to grants and administrative fees.

The District continues to maintain a healthy Current Ratio of 6.59:1 (Current Assets against Current Liabilities), which has decreased from the prior year of 8.94:1. This change is mostly the result of current invoices due to contractors working on the Truckee River Siphon, as noted above. Total Cash & Cash Equivalents against Total Liabilities is 1.06:1, an increase from 1.00:1

**SQUAW VALLEY PUBLIC SERVICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING JUNE 30, 2019**

in the prior year. The District's cash and liquidity position 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 reserve and capital accounts increased by \$804,400. The Utility Funds increased by \$715,800 while the Fire Department funds increased by \$88,600. It is the goal of the District to grow reserve accounts to fully fund capital projects and acquisitions in the 100-year asset replacement plan as well as mitigate potential adverse exposure to the sustainability of the District's infrastructure. The District has a 100 year asset replacement plan with the intention for reserve accounts to fully fund projects without resorting to unnecessary special assessments or material rate increases.

The District maintains separate Fund accounts for capital projects that are summarized on the next page. Notable purchases from the Fund balances for the year are as follows. There was a \$102,000 increase to the Water Capital Fund due to new connections at the Palisades development. The Sewer Capital account remains at \$0 due to the Truckee River Siphon Replacement Project. \$194,000 was transferred from the Sewer FARF to the Sewer Capital account to pay for its portion of the Siphon. There was a \$388,000 increase to the Water Fixed Asset Replacement Fund. Projects funded by the Water FARF included the Zone 3 Booster Pump Station Rehabilitation, replacement of the fuel vault, and a new phone system. There was an increase of \$215,000 to the Sewer Fixed Assets Replacement Fund. Projects funded by the Sewer FARF included the Truckee River Siphon, manhole inspections, replacement of the fuel vault, and a new phone system. Next, there was a \$22,000 increase to the Fire Capital Fund due to connections at the Palisades development. Lastly, the Fire FARF showed an increase of \$67,000. Projects funded by the Fire FARF included ALS Monitors/defibrillators, a turnout extractor, replacement of the fuel vault, and a new phone system. Between connection fees, excess operating funds and taxes, and interest earned, \$1,067,000 was contributed to the fund accounts (before capital purchases). As Fixed Asset Replacement needs are determined, allocations to each fund will be adjusted.

**SQUAW VALLEY PUBLIC SERVICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING JUNE 30, 2019**

General Fund Balances - 5 Year Comparison of Funds Available for Capital Projects					
(in thousands)	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Water Capital					
Beginning Balance	526	541	711	786	591
Increases	15	170	75	93	134
Decreases	(0)	-	-	(288)	(32)
Ending Balance	541	711	786	591	693
Sewer Capital					
Beginning Balance	-	-	8	-	-
Increases	3	8	5	40	52
Transfer from Sewer FARF	11	-	15	46	194
Decreases	(14)	-	(28)	(86)	(246)
Ending Balance	-	8	-	-	-
Inflow & Infiltration Capital					
Beginning Balance	199	159	147	155	158
Increases	5	11	7	3	4
Decreases	(45)	(23)	-	-	-
Ending Balance	159	147	155	158	162
Garbage Capital					
Beginning Balance	184	178	163	172	186
Increases	5	6	11	14	13
Decreases	(11)	(22)	(1)	-	(6)
Ending Balance	178	163	172	186	193
Water FARF					
Beginning Balance	169	46	311	622	809
Increases	65	366	372	321	481
Decreases	(188)	(101)	(62)	(134)	(93)
Ending Balance	46	311	622	809	1,197
Sewer FARF					
Beginning Balance	2,640	2,665	2,783	3,154	3,574
Increases	213	176	439	637	531
Transfer to Sewer Capital	(11)	-	(15)	(46)	(194)
Decreases	(177)	(58)	(54)	(171)	(122)
Ending Balance	2,665	2,783	3,154	3,574	3,789
Fire Protection Funds					
Beginning Balance	173	201	232	237	2
Increases	28	31	13	18	22
Transfer from Fire FARF	-	-	-	115	-
Decreases	-	-	(9)	(368)	-
Ending Balance	201	232	237	2	24
Fire FARF					
Beginning Balance	446	511	724	393	502
Increases	106	240	191	292	209
Transfer to Fire Capital	-	-	-	(115)	-
Decreases	(41)	(27)	(522)	(68)	(142)
Ending Balance	511	724	393	502	569
Bike Trail Snow Removal FARF					
Beginning Balance	-	-	-	-	-
Increases	-	-	-	-	0.8
Decreases	-	-	-	-	-
Ending Balance	-	-	-	-	0.8

**SQUAW VALLEY PUBLIC SERVICE DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING JUNE 30, 2019**

Economic Factors and Financial Outlook for FY 2019-20

Home purchases in the Valley have decreased from the prior year, likely due to the above average winter. However, the median and average price increased for sales of single family residences. This directly impacts the District’s balance sheet through ad valorem tax revenues as we saw in 2018-19. Also note the state unemployment rate has stayed the same compared to prior year (4.1% in August 2019). On a more global view, mortgage interest rates are at an all-time low and the Federal Reserve continues to cut interest rates in an attempt to keep the economic expansion from slowing. There are many predictions that a recession is upon us, as such, the District will continue to be prudent with its spending and budgeting.

Total assessed property values within District boundaries increased \$38 million to \$1.393 billion in 2019-20. The District’s resulting estimated net ad valorem tax revenue is expected to be \$3,616,000. This is a \$48,000, or 1.3% increase from the \$3,568,000 net received in 2018-19.

The District continues to monitor and adjust the 100-year Capital Replacement Plan as needed. Many capital projects are anticipated for the 2019-2020 fiscal year which includes the Truckee River Siphon Replacement, a new well house on the PlumpJack property, manhole inspections and replacements, water meter replacements, roof replacement, exterior painting of the building, purchase new turnout gear, and a new regional training facility for the Fire Department. Total capital projects are budgeted at \$2,698,000.

In July of 2019 the District paid off an additional \$620,000 to CalPERS (\$400,000 for the Utility Department and \$220,000 for the Fire Department). This payment was on top of the annual minimum required contribution and was made to reduce the liability, which increases at a 7% annual interest rate. This goes toward reducing the unfunded accrued liability for pensions, which as of June stayed consistent with prior year at \$5,727,000. Each year the District will assess any excess funds that can be allocated to keep reducing the liability.

In coordination with the Truckee Donner Land Trust, the District formed a Community Facilities District (CFD) in June of 2019 to fund acquisition of the 29-acre property in the Valley known as the “Olympic Meadow Preserve”. There is currently no estimate of when this land acquisition will be completed

The District plans to continue annual payment of its long-term debt associated with the construction of the 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 Analysis and Rate Study, which helps preclude the need for debt financing, a special assessment or sharp rate increases in the future.

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.

**SQUAW VALLEY PUBLIC SERVICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING JUNE 30, 2019**

This section of the MD&A was prepared on October 11th, 2019.

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

ROBERT J. McCLINTOCK, CPA
KENDALL GALKA, CPA
ALICE HAHN

JAIME GIGNOUX, CPA
KELLEY ALTICK, CPA

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

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, 2019, 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, 2019, 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 58-62, the Schedule of the District's Proportionate Share of the Net Pension Liability on page 63, the Schedule of District Contributions on page 64, and the schedule of Changes in the Total OPEB Liability and OPEB Liability and Related Ratios 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 12, 2019 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

The logo for McClintock Accountancy Corporation is written in a black, cursive, handwritten-style font.

McCLINTOCK ACCOUNTANCY CORPORATION
Tahoe City, California
November 12, 2019

Basic Financial Statements

Government-Wide Financial Statements

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Statement of Net Position

June 30, 2019

Assets

	<u>Governmental Activities (Fire)</u>	<u>Business-Type Activities (Utility)</u>	<u>Total</u>
Current Assets			
Cash (Note 2)	\$ 39,403	323,630	363,033
Investments (Notes 2 and 3)	<u>1,112,247</u>	<u>7,734,499</u>	<u>8,846,746</u>
Cash and cash equivalents	1,151,650	8,058,129	9,209,779
Receivables			
Service Fees	-	70,909	70,909
Interest	1,371	14,181	15,552
Other	-	<u>27,449</u>	<u>27,449</u>
Total Receivables	<u>1,371</u>	<u>112,539</u>	<u>113,910</u>
Prepaid Expenses and other assets	<u>9,974</u>	<u>18,391</u>	<u>28,365</u>
Total Current Assets	1,162,995	8,189,059	9,352,054
Noncurrent Assets			
Capital Assets, at cost (Note 4)	8,192,865	26,396,199	34,589,064
Less accumulated depreciation (Note 4)	<u>(3,078,529)</u>	<u>(16,992,020)</u>	<u>(20,070,549)</u>
Net capital assets	5,114,336	9,404,179	14,518,515
Inter-activity balances (Note 17)	<u>226,494</u>	<u>(226,494)</u>	<u>-</u>
Total Noncurrent Assets	<u>5,340,830</u>	<u>9,177,685</u>	<u>14,518,515</u>
Total Assets	\$ <u><u>6,503,825</u></u>	<u><u>17,366,744</u></u>	<u><u>23,870,569</u></u>
Deferred Outflows of Resources			
Deferred outflows related to pensions (Note 7)	1,455,619	1,274,214	2,729,833
Deferred outflows related to OPEB (Note 14)	<u>3,967</u>	<u>10,507</u>	<u>14,474</u>
Total Deferred Outflows of Resources	\$ <u><u>1,459,586</u></u>	<u><u>1,284,721</u></u>	<u><u>2,744,307</u></u>

(Continued) The accompanying notes are an integral part of these statements.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Statement of Net Position

June 30, 2019

Liabilities and Net Position

	<u>Governmental Activities (Fire)</u>	<u>Business-Type Activities (Utility)</u>	<u>Total</u>
Liabilities			
Current Liabilities			
Accounts payable	\$ 16,118	415,461	431,579
Accrued liabilities	431,442	458,016	889,458
Deferred Revenue	-	10,814	10,814
Current portion of long-term debt (Note 5)	-	88,161	88,161
Total Current Liabilities	<u>447,560</u>	<u>972,452</u>	<u>1,420,012</u>
Noncurrent Liabilities			
Total OPEB Liability (Note 14)	281,926	344,576	626,502
Net pension liability (Note 7)	3,076,605	2,650,101	5,726,706
Long-term debt (Note 5)	-	938,002	938,002
Total Noncurrent Liabilities	<u>3,358,531</u>	<u>3,932,679</u>	<u>7,291,210</u>
Total Liabilities	<u>\$ 3,806,091</u>	<u>4,905,131</u>	<u>8,711,222</u>
Deferred Inflows of Resources			
Deferred inflows related to pensions (Note 7)	\$ 76,537	185,521	262,058
Deferred inflows related to OPEB (Note 14)	18,188	11,147	29,335
	<u>\$ 94,725</u>	<u>196,668</u>	<u>291,393</u>
Net Position			
Net investment in capital assets	5,114,336	8,378,016	13,492,352
Restricted (Note 9)	23,792	854,620	878,412
Unrestricted (deficit) (Note 10)	<u>(1,075,533)</u>	<u>4,317,030</u>	<u>3,241,497</u>
Total Net Position	<u>\$ 4,062,595</u>	<u>13,549,666</u>	<u>17,612,261</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, 2019

	Primary Government		Total
	Governmental Activities (Fire)	Business-Type Activities (Utility)	
Program Revenue			
Mutual aid	\$ 66,250	-	66,250
Service fees	-	3,571,032	3,571,032
Fire protection fee	21,000	-	21,000
Connection fee	-	168,844	168,844
Grants (Note 13)	-	64,867	64,867
Total Program Revenue	87,250	3,804,743	3,891,993
Expenses			
Salaries and wages	1,837,546	1,264,348	3,101,894
Employee benefits	1,210,949	789,510	2,000,459
Field Operations			
Material & supplies	16,929	17,313	34,242
Uniforms	8,520	9,093	17,613
Chemicals & lab fees	-	36,988	36,988
Utilities	39,556	64,726	104,282
Maintenance & repairs	85,490	72,707	158,197
Radio communications	2,438	-	2,438
Training & memberships	46,977	20,147	67,124
Fire prevention	3,042	-	3,042
Vehicle maintenance	30,077	35,083	65,160
Garbage contract	-	245,147	245,147
Total field operations	233,029	501,204	734,233

(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, 2019

	Primary Government		Total
	Governmental Activities (Fire)	Business-Type Activities (Utility)	
Expenses (Continued)			
General & administrative			
Board expenses	\$ 16,228	48,519	64,747
Accounting & audit services	8,744	15,184	23,928
Consultants	-	15,837	15,837
Legal services	5,206	17,318	22,524
Insurance	29,317	44,258	73,575
License, permit & contracts	-	33,024	33,024
Office expense	13,458	43,737	57,195
Travel & meetings	4,139	10,431	14,570
Office utilities	-	46,865	46,865
Other	-	-	-
Total general & administrative	77,092	275,173	352,265
Other expenses			
Depreciation	247,784	674,107	921,891
Interest	-	37,508	37,508
Miscellaneous	-	2,112	2,112
Total other expenses	247,784	713,727	961,511
Total Expenses	3,606,400	3,543,962	7,150,362
Net Program Revenue (Expense)	(3,519,150)	260,781	(3,258,369)

(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, 2019

	Primary Government		Total
	Governmental Activities (Fire)	Business-Type Activities (Utility)	
General Revenues			
Property tax (Note 8)	\$ 3,425,899	\$ 142,068	\$ 3,567,967
Administrative fees	64,703	4,141	68,844
Grants (Note 13)	-	-	-
Dedications	-	192,596	192,596
Interest	14,308	160,300	174,608
Rental revenue (Note 16)	29,645	60,189	89,834
Other	1,150	-	1,150
Total General Revenues	<u>3,535,705</u>	<u>559,294</u>	<u>4,094,999</u>
Increase in Net Position	16,555	820,075	836,630
Net Position - Beginning of Year	\$ <u>4,046,040</u>	\$ <u>12,729,591</u>	\$ <u>16,775,631</u>
Net Position - End of Year	\$ <u><u>4,062,595</u></u>	\$ <u><u>13,549,666</u></u>	\$ <u><u>17,612,261</u></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, 2019

Assets

	<u>Primary Government</u>	
	<u>Governmental Fund (Fire)</u>	<u>Proprietary Fund (Utility)</u>
Current Assets		
Cash	\$ 39,403	323,630
Investments	1,112,247	7,734,499
Cash and cash equivalents	1,151,650	8,058,129
Receivables		
Service fees	-	70,909
Interest	1,371	14,181
Other	-	27,449
Total Receivables	1,371	112,539
Prepaid expenses and other assets	9,974	18,391
Total Current Assets	1,162,995	8,189,059
Noncurrent Assets		
Capital assets, at cost	-	26,396,199
Less accumulated depreciation	-	(16,992,020)
Net capital assets	-	9,404,179
Inter-activity balances	226,494	(226,494)
Total Noncurrent Assets	226,494	9,177,685
Total Assets	\$ 1,389,489	17,366,744
Deferred Outflows of Resources		
Deferred outflows related to pensions	-	1,274,214
Deferred outflows related to OPEB	-	10,507
Total Deferred Outflows of Resources	\$ -	1,284,721

(Continued)

The accompanying notes are an integral part of these statements.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Fund Financial Statements

Balance Sheet

June 30, 2019

Liabilities and Fund Balances

	<u>Primary Government</u>	
	<u>Governmental Fund (Fire)</u>	<u>Proprietary Fund (Utility)</u>
Liabilities		
Current Liabilities		
Accounts Payable	\$ 16,118	415,461
Accrued Liabilities	431,442	458,016
Deferred Revenue	-	10,814
Current portion of long-term debt	-	88,161
	<hr/>	<hr/>
Total Current Liabilities	447,560	972,452
Noncurrent Liabilities		
Postemployment health benefits	-	344,576
Net pension liability	-	2,650,101
Long-term debt	-	938,002
	<hr/>	<hr/>
Total Noncurrent Liabilities	-	3,932,679
Total Liabilities	\$ <u>447,560</u>	<u>4,905,131</u>
Deferred Inflows of Resources		
Deferred inflows related to pensions	-	185,521
Deferred inflows related to OPEB	-	11,147
	<hr/>	<hr/>
Total Deferred Inflows of Resources	\$ -	<u>196,668</u>
Fund Balances		
Governmental Fund (Note 11)		
Nonspendable	\$ 237,839	-
Restricted	23,792	-
Committed	342,688	-
Unassigned	337,610	-
Proprietary Fund		
Net investment in capital assets	-	8,378,016
Restricted	-	854,620
Unrestricted	-	4,317,030
	<hr/>	<hr/>
Total Fund Balances	\$ <u>941,929</u>	<u>13,549,666</u>

The accompanying notes are an integral part of these statements.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Reconciliation of the Balance Sheet of Governmental Fund (Fire) to the Statement of Net Position

June 30, 2019

Fund balance of governmental fund (Fire)	\$	941,929
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		1,455,619
Deferred outflows related to OPEB are not financial resources and therefore are not reported in governmental funds		3,967
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds		
Land	\$	1,012,603
Buildings		4,944,087
Vehicles		1,624,321
Equipment		569,312
Furniture & Fixtures		39,342
Master plan		1,137
Construction in progress		2,063
Less accumulated depreciation		<u>(3,078,529)</u>
Net Book Value		5,114,336
Postemployment health benefits are not due and payable in the current period and, therefore, are not reported in governmental funds		(281,926)
Net pension liability is not due and payable in the current period and therefore is not reported in governmental funds		(3,076,605)
Deferred inflows related to pensions are not financial resources and therefore are not reported in governmental funds		(76,537)
Deferred inflows related to OPEB are not financial resources and therefore are not reported in governmental funds		<u>(18,188)</u>
Net position of governmental activities	\$	<u><u>4,062,595</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, 2019

Program Revenue	
Mutual aid	\$ 66,250
Fire protection fee	<u>21,000</u>
Total Program Revenue	87,250
Expenditures	
Salaries and wages	1,837,546
Employee benefits	1,303,232
Field operations	
Material & supplies	16,929
Uniforms	8,520
Utilities	39,556
Maintenance & repairs	85,490
Radio communications	2,438
Training & memberships	46,977
Fire prevention	3,042
Vehicle maintenance	<u>30,077</u>
Total field operations	233,029
General & administrative	
Board expenses	16,228
Accounting & audit services	8,744
Legal services	5,206
Insurance	29,317
Office expense	13,458
Travel & meetings	4,139
Other	<u>-</u>
Total general & administrative	77,092

(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, 2019

Expenditures (Continued)

Other expenditures		
Capital outlay	\$	144,239
Debt service		-
Interest		-
		-
Total other expenditures		144,239
Total Expenditures		3,595,138
Net Program Revenue (Expenditures)		(3,507,888)
General Revenues		
Property tax		3,425,899
Administrative fees		64,703
Grants		-
Interest		14,308
Rental Revenue		29,645
Other		1,150
		1,150
Total General Revenues		3,535,705
Increase (Decrease) in Fund Balance		27,817
Fund Balance - Beginning of Year		914,112
Fund Balance - End of Year	\$	941,929

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 (Fire) to the Statement of Activities

For the Year Ended June 30, 2019

Increase (decrease) in fund balance - governmental fund	\$	27,817
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	\$	144,239
Less - current year depreciation expense		<u>(247,784)</u> (103,545)
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		(2,710)
Changes in the net pension liabilities and the related deferred outflows and inflows is an expense in the Statement of Net Position but does not use current financial resources and therefore is not reflected in the government fund		<u>94,993</u>
Increase in net position of governmental activities	\$	<u><u>16,555</u></u>

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, 2019

Program Revenue	
Service fees	\$ 3,571,032
Connection fee	168,844
Grants	<u>64,867</u>
 Total Program Revenue	 3,804,743
Expenses	
Salaries and wages	1,264,348
Employee benefits	789,510
Field operations:	
Material & supplies	17,313
Uniforms	9,093
Chemicals & lab fees	36,988
Minor equipment repair	-
Utilities	64,726
Maintenance & repairs	72,707
Training & memberships	20,147
Vehicle maintenance	35,083
Garbage contract	<u>245,147</u>
 Total field operations	 501,204

(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, 2019

Expenses (Continued)

General & administrative		
Board expenses	\$	48,519
Accounting & audit services		15,184
Consultants		15,837
Legal services		17,318
Insurance		44,258
License, permit & contracts		33,024
Office expense		43,737
Travel & meetings		10,431
Office utilities		46,865
Other		<u>-</u>
Total general & administrative		275,173
Other expenses		
Depreciation	\$	674,107
Interest		37,508
Miscellaneous		<u>2,112</u>
Total other expenses	\$	713,727
Total Expenses	\$	<u>3,543,962</u>
Net Program Revenue (Expense)	\$	260,781

(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, 2019

General Revenues		
Property tax	\$	142,068
Administrative fees		4,141
Dedications		192,596
Interest		160,300
Rental Revenue		60,189
Other		<u>-</u>
Total General Revenues	\$	<u>559,294</u>
Increase (Decrease) in Fund Balance	\$	820,075
Fund Balance - Beginning of Year	\$	<u>12,729,591</u>
Fund Balance - End of Year	\$	<u><u>13,549,666</u></u>

The accompanying notes are an integral part of these statements.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Statement of Cash Flows Proprietary Fund (Utility)

For the Year Ended June 30, 2019

	Business-Type Activities <u>(Utility)</u>
Cash Flows from Operating Activities:	
Cash receipts from customers	\$ 3,742,627
Cash payments to suppliers for goods and services	(1,796,179)
Cash payments to employees for services	(1,245,856)
Other receipts	<u>48,129</u>
Net Cash Provided By Operating Activities	748,721
Cash Flows From Noncapital Financing Activities:	
Receipt of property taxes	<u>142,068</u>
Net Cash Provided By Noncapital Financing Activities	142,068
Cash Flows From Capital and Related Financing Activities:	
Repayment of long-term debt	(85,320)
Interest paid on long-term debt	<u>(38,926)</u>
Net Cash Used By Capital and Related Financing Activities	(124,246)
Cash Flows From Investing Activities:	
Purchase of capital assets	(300,738)
Interest received on cash and investments	<u>156,058</u>
Net Cash Used By Investing Activities	(144,680)
Net Increase in Cash	621,863
Cash and Cash Equivalents - Beginning of Year	<u>7,436,266</u>
Cash and Cash Equivalents - End of Year	\$ <u><u>8,058,129</u></u>

(Continued)

The accompanying notes are an integral part of these statements.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Statement of Cash Flows Proprietary Fund (Utility)

For the Year Ended June 30, 2019

	<u>Business-Type Activities (Utility)</u>
Reconciliation of Increase in Net Position to Net	
Cash Used by Operating Activities:	
Increase in net position	\$ 820,075
Adjustments to reconcile increase in net position to net cash used by operating activities:	
Depreciation	674,107
Dedications	(192,596)
Non-operating revenue	(302,371)
Non-operating expenses	37,508
(Increase) decrease in:	
Receivables	(34,575)
Prepays	51,113
Construction in progress	-
Deferred outflows	(372,023)
Increase (decrease) in:	
Accounts payable	20,619
Accrued liabilities	40,972
Postemployment health benefits	7,260
Net pension liability	(47,278)
Deferred inflows	45,910
Total adjustments	<u>(71,354)</u>
Net Cash Provided by Operating Activities	<u>\$ 748,721</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, 2019

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 inter-fund 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, 2019

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 at the time of the budget to designate a portion of the available fund balance to a specific purpose. This can be modified at the end of the year depending on a deficit or surplus from operations.

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

For the year ended June 30, 2019, the District realized an increase in fund balance for the governmental fund of \$27,817. This is primarily a result of additional tax revenue and less spending towards capital assets. This further resulted in an unassigned fund balance of \$337,610 as of June 30, 2019 which will be used for future capital projects.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2019

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 Finance and Administration Manager presents a monthly report to the Board explaining variances 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, 2019

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 revenue 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 the District's portion of total billed property taxes less an estimated administration fee. 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	3-20 years

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, 2019 at their current rate of pay.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2019

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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, 2017
Measurement Date (MD)	June 30, 2018
Measurement Period (MP)	July 1, 2017 to June 30, 2018

Post-Employment Benefits Other Than Pensions

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions ("OPEB"). This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses related to OPEB. These standards apply to all public employers that pay any part of the cost of retiree health benefits for current or future retirees. The District engaged Total Compensation Systems, Inc. (TCS) to analyze liabilities associated with its current retiree health program as of June 30, 2018.

For this report, the following timeframes are used.

Valuation Date (VD)	June 30, 2017
Measurement Date (MD)	June 30, 2018
Measurement Period (MP)	July 1, 2017 to June 30, 2018

At June 30, 2019, the District had an undesignated unrestricted (deficit) of \$(2,506,647); \$(1,644,715) for governmental activities and \$(861,932) for business-type activities. This resulted in an unrestricted net position of \$(1,075,533) for governmental activities. This deficit is primarily a result of implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* as well as GASB Statement No. 75, *Accounting and Financial Reporting for Other Post-Employment Benefits*. 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, 2019

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 (Utility), 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 effects of subsequent events have been evaluated through November 12, 2019, which is the date the financial statements were available to be issued.

Upcoming Accounting Pronouncements

Government Accounting Standards Board Statement No. 87

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

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2019

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 average cash and investment balances of the respective fund. At June 30, 2019, the District's cash and investment balances included the following:

Pooled cash	\$ 363,033
Pooled investments	<u>8,846,746</u>
	<u>\$ 9,209,779</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 District deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of the District's deposits. California law also allows financial institutions to secure the District's deposits by pledging first trust deed mortgage notes having a value of 150% of the District's total deposits. Such collateral, as permitted by the State of California, is held in each respective bank's collateral pool at a Federal Reserve Bank, or member bank other than the depository bank, in the name of the respective depository bank and pledged against all of the public deposits it holds.

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

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

The District's investments in the State and County investment pool are 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	\$ 24,359	24,359
ProEquities Certificate of Deposit	739,000	744,845
ProEquities Money Market	22	22
Placer County Pooled Investment Fund	<u>8,083,365</u>	<u>8,083,365</u>
Total	<u>\$ 8,846,746</u>	<u>8,852,591</u>

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2019

2) CASH AND INVESTMENTS: (Continued)

The District's investments with Local Agency Investment Fund (LAIF) at June 30, 2019 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.

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, 2019:

- a) State of California Local Agency Investment Fund of \$24,359 is valued using the underlying quoted market prices (Level 2 inputs)
- b) Placer County Pooled Investment Fund of \$8,083,365 is valued using the underlying quoted market prices (Level 2 inputs)

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2019

4) CAPITAL ASSETS:

A summary of Governmental Activities capital assets is presented below:

	Balance July 1, 2018	Additions	Deletions	Transfers	Balance June 30, 2019
Fire Department:					
Land	\$ 1,012,603	-	-	-	\$ 1,012,603
Buildings	4,928,534	21,608	(6,056)	-	4,944,086
Equipment	530,443	120,569	(81,700)	-	569,312
Furniture & Fixtures	42,274	-	(2,931)	-	39,343
Master plan	1,137	-	-	-	1,137
Vehicles	1,624,321	-	-	-	1,624,321
Construction in progress	0	2,063	-	-	2,063
Total Capital Assets	<u>8,139,312</u>	<u>144,240</u>	<u>(90,687)</u>	<u>-</u>	<u>8,192,865</u>
Accumulated Depreciation	<u>(2,921,432)</u>	<u>(247,784)</u>	<u>90,687</u>	<u>-</u>	<u>(3,078,529)</u>
Net Book Value	<u>\$ 5,217,880</u>				<u>\$ 5,114,336</u>

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

	Balance July 1, 2018	Additions	Deletions	Transfers	Balance June 30, 2019
Utility Department:					
Land	\$ 1,012,603	-	-	-	\$ 1,012,603
Buildings	4,414,199	46,929	(19,598)	-	4,441,530
Water system	10,688,380	218,793	(42,859)	-	10,864,314
Sewage system	5,711,117	99,256	(1,646)	18,221	5,826,948
Headquarters	752,614	-	-	-	752,614
Equipment	508,300	24,880	(23,649)	-	509,531
Interceptors	1,183,280	-	-	-	1,183,280
Vehicles	653,975	-	(49,571)	-	604,404
Furniture & Fixtures	254,623	-	(46,279)	-	208,344
Construction in progress	539,662	471,190	-	(18,221)	992,631
Total Capital Assets	<u>25,718,753</u>	<u>861,048</u>	<u>(183,602)</u>	<u>-</u>	<u>26,396,199</u>
Accumulated Depreciation	<u>(16,501,515)</u>	<u>(674,107)</u>	<u>183,602</u>	<u>-</u>	<u>(16,992,020)</u>
Net Book Value	<u>\$ 9,217,238</u>				<u>\$ 9,404,179</u>

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2019

5) LONG-TERM DEBT:

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 a new Fire and Administration Center at 305 Squaw Valley Road. The agreement calls for semi-annual payments in varying amounts over the life of the 25 year loan. The first payment was due February 2005, with final maturity of the loan scheduled for August 2028. The loan was collateralized with District owned property at 1810 Squaw Valley Road. In the event of default, the District has agreed to surrender the property at 1810 and pay CIEDB all damages incurred by reason of default by the District. Since the loan is older than twelve years, the loan can be prepaid without being subject to penalties. As of June 30, 2019 the District is current on all debt obligation payments to CIEDB.

A summary of the District's Business-Type Activities long-term debt at June 30, 2019 is as follows:

	Balance June 30, 2018	Additions	Payments	Balance June 30, 2019
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.	\$ 1,111,483	-	(85,320)	\$ 1,026,163
Total Long-Term Debt	1,111,483	-	(85,320)	1,026,163
Less Current Installments of Long-Term Debt	85,320			88,161
Long-Term Debt Excluding Current Installments	\$ 1,026,163			\$ 938,002

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2019

5) LONG-TERM DEBT: (Continued)

The annual requirements to amortize District long-term debt as of June 30, 2019 are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	88,161	35,782	123,943
2021	91,097	32,533	123,630
2022	94,130	29,175	123,305
2023	97,265	25,706	122,971
2024	100,504	22,122	122,626
2024 through 2029	555,006	52,519	607,525
	<u>\$ 1,026,163</u>	<u>197,837</u>	<u>1,224,000</u>

6) DEFERRED COMPENSATION PLANS:

A 457 Deferred Compensation Plan has been established by the District with Mass Mutual. Employees may elect to defer compensation up to 100% of their salary or \$19,000 (\$25,000 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 \$38,000 per year. This Plan is fully funded with Mass Mutual.

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 \$19,000 (\$25,000 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 \$38,000 per year. This Plan is fully funded with the California Public Employees' Retirement System.

The District is not responsible for the 457 plans; 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, 2019

7) NET PENSION LIABILITY:

a) General Information about the Pension Plan

i. Plan Description

All full-time 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 highest earned 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, years 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 ages 55-62). 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, 2019

7) NET PENSION LIABILITY: (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, 2018 (the measurement date), the following is a summary of contribution rates:

	<u>Employee Contribution</u>	<u>Employer Contribution</u>	<u>Total Required Contribution</u>
Governmental Activity (Fire Department)			
First Tier Plan	9.000%	20.556%	29.556%
Second Tier Plan	9.000	17.614	26.614
PEPRA Plan	12.000	12.141	24.141
Business-Type Activity (Utility Department)			
First & Second Tier Plan	8.000%	13.428%	21.428%
PEPRA Plan	6.750	7.363	14.113

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

At June 30, 2019, the District reported a liability of \$5,727,706 (\$3,076,605 for governmental activities and \$2,650,101 for business-type activities) for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2019, the District's proportion was 0.05243% for the governmental activities pool and 0.07032% for the business-type activities pool, which compares to 0.05073% the governmental activities pool and 0.06843% for the business-type activities pool at June 30, 2018.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2019

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, 2019, the District recognized pension expense of \$1,158,252 (\$733,132 for governmental activities and \$425,120 for business-type activities). At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Governmental Activities	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 66,106	\$ 251
Changes of assumptions	301,869	40,727
Difference between projected and actual earnings on pension plan investments	20,830	-0-
Changes in proportion and differences between District contributions and proportionate share of contributions	220,609	35,559
District contributions subsequent to the measurement date	846,205	-0-
Total	<u>\$ 1,455,619</u>	<u>\$ 76,537</u>

	Business-Type Activities	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 101,681	\$ 34,601
Changes of assumptions	302,119	74,044
Difference between projected and actual earnings on pension plan investments	13,101	-0-
Changes in proportion and differences between District contributions and proportionate share of contributions	48,603	76,876
District contributions subsequent to the measurement date	808,710	
Total	<u>\$ 1,274,214</u>	<u>\$ 185,521</u>

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2019

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 \$1,654,915 (\$846,205 for governmental activities and \$808,710 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, 2020. 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
6/30/20	\$ 360,622	256,987	617,609
6/30/21	240,791	138,369	379,160
6/30/22	(47,226)	(91,537)	(138,763)
6/30/23	(21,310)	(23,836)	(45,146)

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

For the measurement period ending June 30, 2018 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2017 total pension liability. The June 30, 2018 total pension liability was 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	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.15% 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 2.0% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2019

7) NET PENSION LIABILITY: (Continued)

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

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

d) Long-term Expected Rate of Return

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, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ 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 rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The expected real rates of return by asset class are as followed:

<u>Asset Class</u>	<u>Assumed asset allocation</u>	<u>Real Return Years 1-10</u>	<u>Real Return Years 11+</u>
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0	1.00	2.62
Inflation Assets	0.0	0.77	1.81
Private Equity	8.0	6.30	7.23
Real Estate	13.0	3.75	4.93
Liquidity	1.0	0.0	(0.92)

(1) In the System's CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

(2) An expected inflation of 2.00% used for this period.

(3) An expected inflation of 2.92% used for this period.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2019

7) NET PENSION LIABILITY: (Continued)

e) Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

f) 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 7.15 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 (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

	Discount Rate – 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate +1% (8.15%)
Governmental Activities	\$ 4,849,371	3,076,605	1,624,140
Business-Type Activities	4,073,814	2,650,101	1,474,850
Total	\$ 8,968,185	5,726,706	3,098,990

g) Pension Plan Fiduciary Net Position

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

h) Payables to the Pension Plan

At June 30, 2019, 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	5,162
	\$ 5,162

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2019

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, 2019 was \$6,634,734. The District's actual annual proceeds of taxes for the year ended June 30, 2019 was \$3,567,967, leaving a margin of \$3,066,767.

The proceeds of taxes limitation adopted by the District for the year ended June 30, 2020 is \$6,902,573.

9) RESTRICTED NET POSITION:

Net position is subject to the following legal restrictions:

Governmental Activities:	
Fire – protection fees	\$ <u>23,792</u>
Total Restricted Net Position – Governmental Activities	\$ <u><u>23,792</u></u>
Business-Type Activities:	
Capital projects - water	\$ 692,605
Capital projects - sewer	-0-
Inflow and infiltration	<u>162,015</u>
Total Restricted Net Position – Business-Type Activities	\$ <u><u>854,620</u></u>

10) UNRESTRICTED NET POSITION:

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

Governmental Activities:	
Capital asset replacement fund	\$ 342,688
Capital asset replacement fund - building	<u>226,494</u>
Total Designated Net Position	569,182
Undesignated Net Position	<u>(1,644,715)</u>
Total Unrestricted Net Position – Governmental (Deficit) Activities	\$ <u><u>(1,075,533)</u></u>

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2019

10) UNRESTRICTED NET POSITION: (Continued)

Business-Type Activities:

Capital asset replacement fund - water	\$ 1,196,772
Capital asset replacement fund - sewer	3,788,521
Garbage	192,902
Bike Trail	<u>767</u>
Total Designated Net Position	5,178,962
Undesignated Net Position	<u>(861,932)</u>
Total Unrestricted (Deficit) Net Position	
– Business-Type Activities	<u>\$ 4,317,030</u>

The District had an undesignated unrestricted (deficit) of \$(2,506,647); \$(1,644,715) for governmental activities and \$(861,932) for business-type activities. This resulted in an unrestricted net position of \$(1,075,533) for governmental activities. This deficit is primarily a result of implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* as well as GASB Statement No. 75, *Accounting and Financial Reporting for Other Post-Employment Benefits*. The District expects that these deficits will be funded with future tax revenues

11) FUND BALANCE – GOVERNMENTAL FUND (FIRE):

Nonspendable fund balance consists of receivables (\$1,371), prepaid expenses (\$9,974) and inter-activity balances (\$226,494).

Restricted fund balance consists of user Fire mitigation 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, 2019 were \$255,181 while expenses, both direct and allocated, totaled \$247,663.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2019

13) GRANTS:

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 up to \$25,246 of costs. As of June 30, 2019, the District had expended \$11,456 for the project. As of June 30, 2019 the District had a receivable in the amount of \$1,350.

In May of 2017 the District entered into a Development Agreement with The Palisades Development, LLC (Developer). The Developer agreed to pay \$50,000 over a three year period to the District for the purpose of installing a pressure reduction valve and station. This would be a contribution to the District's Zone 1A Improvement Project. As of June 30, 2019 the District had billed the second installment of \$16,667 and had not yet received payment. The District did receive payment for the first installment during the fiscal year.

In October of 2018, the District was notified that an application submitted to the Integrated Regional Water Management Grant (IRWM) by South Lake Tahoe Public Utility District on behalf of Tahoe agencies was accepted. The total grant amount was for \$707,360, of which \$34,647 will be allocated to the Squaw Valley Public Service District. The District has not yet incurred costs; therefore a receivable was not booked as of June 30, 2019. However, the District intends to spend the money on implementation of an Advanced Metering Infrastructure (AMI)/Automatic Meter Reading (AMR) system and replacement of residential water meters that have reached the end of their useful life.

In May of 2019 the District was awarded \$10,000 from the Placer County Water Agency for Asset Management Implementation and GIS Database Updates. This was in accordance with the Financial Assistance Program (FAP). Per the agreement, the District will be reimbursed for costs associated with data collection, data input to GIS and data import to the asset management software. Since the District had not performed these tasks as of June 30, 2019, there was no receivable recorded. The District plans to fulfill this grant in fiscal year 2020.

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. The District follows Public Employees' Medical & Hospital Care Act (PEMHCA) minimum contribution requirements for each eligible retiree. Benefit provisions are established and may be amended by the District Board of Directors. The plan does not issue a stand-alone financial report.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2019

14) POSTEMPLOYMENT HEALTH BENEFITS: (Continued)

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (“OPEB”) and would replace GASB statements 45 and 57. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to OPEB. These standards apply to all public employers that pay any part of the cost of retiree health benefits for current or future retirees (including early retirees), whether they pay directly or indirectly. This is the second year of implementation for the District.

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 Total 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, 2017 valuation. A standard actuarial “roll-forward” methodology was used to estimate the Total OPEB Liability (TOL) as of the measurement date which is June 30, 2018.

The following table shows the results of the roll-forward.

Changes in Total OPEB Liability as of June 30, 2018	Total OPEB Liability	Plan Contributions and Benefit Payments	Total OPEB Liability
Balance at June 30, 2017	\$616,532	\$-	\$616,532
Service Cost	31,862	-	31,862
Interest on TOL	23,789	-	23,789
Employer Contributions	-	13,412	(13,412)
Employee Contributions	-	-	-
Assumption Changes	(32,269)	-	(32,269)
Administrative Expense	-	-	-
Expected Benefit Payments	(13,412)	(13,412)	-
Other	-	-	-
Net Change during 2017-18	\$9,970	\$-	\$9,970
Balance at June 30, 2018	\$626,502	\$-	\$626,502

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2019

d) Actuarial Methods and Assumptions Used to Determine Total OPEB Liability

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. For the measurement period ending June 30, 2018 (the measurement date), the total OPEB liability was based on the following actuarial methods and assumptions:

<u>Actuarial Cost Method</u>	Entry Age in accordance with the requirements of GASB Statement No. 75
<u>Actuarial Assumptions</u>	
Discount Rate	3.8% per year net of expenses. Based on the Bond Buyer 20 Bond Index
Inflation	2.75%
Salary Increases	2.75%
Healthcare Cost Trend	4%
Mortality Rate Table	Derived using CalPERS' 2014 Mortality Data
Retirement Rates	Firefighters: Hired before 2013: 2009 CalPERS 3%@50 Rates for Firefighters Hired after 2012: 2009 CalPERS 2%@50 Rates for Firefighters General Employees: Hired before 2013: 2009 CalPERS 2.7%@55 Rates for Miscellaneous employees Hired after 2012: 2009 CalPERS 2%@60 Rates for Miscellaneous employees adjusted to reflect a minimum retirement age of 52
Service Requirement	100% at 5 years of service

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2019

14) POSTEMPLOYMENT HEALTH BENEFITS: (Continued)

e) Discount Rate

The discount rate used to measure the total OPEB liability for a measurement date of June 30, 2018 was 3.8%. The District assumed that contributions would be sufficient to fully fund the obligation over a period not to exceed 30 years. There are currently no plan assets so assumptions made about projected cash flows and investment returns were not included.

The following presents the total OPEB liability/(asset) of the District as of the measurement date, calculated using the discount rate of 3.8 percent, as well as what the total OPEB liability/(asset) would be if it were calculated using a discount rate that is 1 percentage-point lower (2.8 percent) or 1 percentage-point higher (4.8 percent) than the current rate:

	Discount Rate – 1% (2.80%)	Current Trend Rate (3.80%)	Discount Rate +1% (4.80%)
Net OPEB Liability	\$ 740,924	626,502	535,121

f) Sensitivity of the Total OPEB Liability to Changes in the healthcare cost trend.

The following presents the total OPEB liability/(asset) of the District as of the measurement date, calculated using the healthcare cost trend of 4 percent, as well as what the total OPEB liability/(asset) would be if it were calculated using a trend that is 1 percentage-point lower (3 percent) or 1 percentage-point higher (5 percent) than the current rate:

	Trend Rate – 1% (3.00%)	Current Trend Rate (4.00%)	Trend Rate +1% (5.00%)
Net OPEB Liability	\$ 531,295	626,502	743,903

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2019

14) POSTEMPLOYMENT HEALTH BENEFITS: (Continued)

g) Summary of Plan Participants

	Number of Participants
Inactive Employees Receiving Benefits	8
Inactive Employees Entitled to But Not Receiving Benefits	6
Participating Active Employees	26
	40

h) OPEB Expense

Under GASB 75, OPEB expense includes service cost, interest cost, change in TOL due to plan changes; all adjusted for deferred inflows and outflows. The OPEB expense for the current year is summarized below.

Preliminary OPEB Expense Fiscal Year Ending June 30, 2019

Service Cost	\$31,862
Interest on Total OPEB Liability (TOL)	23,789
Employee Contributions	-
Recognized Actuarial Gains/Losses	-
Recognized Assumption Changes	(2,934)
Actual Investment Income	-
Recognized Investment Gains/Losses	-
Contributions After Measurement Date (Deferred Outflow)	-
Liability Change Due to Benefit Changes	-
Administrative Expense	-
OPEB Expense	\$52,717

i) The amount \$14,474 (\$3,967 for governmental activities and \$10,507 for business-type activities) reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended	Governmental Activities	Business-Type Activities	Total
6/30/20	\$ (1,819)	(1,115)	(2,934)
6/30/21	(1,819)	(1,115)	(2,934)
6/30/22	(1,819)	(1,115)	(2,934)
6/30/23	(1,819)	(1,115)	(2,934)
6/30/24	(1,819)	(1,115)	(2,934)
Thereafter	(7,273)	(4,458)	(11,731)

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2019

14) POSTEMPLOYMENT HEALTH BENEFITS: (Continued)

j) “Pay As You Go” Funding of Retiree Benefits

The actuarial assumptions listed above were used to project the ten year retiree benefit outlay, including any implicit rate subsidy.

Year Beginning July 1	Total	Fire Fighters	General Employees
2017	\$13,142	\$3,860	\$9,552
2018	14,474	3,967	10,507
2019	14,735	4,418	10,317
2020	16,077	5,246	10,831
2021	17,604	6,142	11,462
2022	19,222	7,142	12,080
2023	20,914	8,148	12,766
2024	22,684	9,186	13,498
2025	24,501	10,224	14,277
2026	26,399	11,366	15,033

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

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2019

15) RISK MANAGEMENT (continued):

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.

16) RENTAL ACTIVITY:

The District rents idle facilities to outside parties. These facilities have an original cost of \$1,007,624, accumulated depreciation of \$972,083, and a net book value of \$35,541. Rental income of \$89,834 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:

Maintenance and repairs	\$ 18,316
Insurance	1,299
Utilities	18,485
Depreciation	<u>10,920</u>
Total Expenses	<u>\$ 49,020</u>

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

<u>Year Ending June 30</u>	<u>Amount</u>
2020	\$ 94,967
2021	95,172
2022	<u>31,724</u>
	<u>\$ 221,863</u>

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2019

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, 2019

	Original and Final Budget	Actual	Budget Variance (Over) Under
Program Revenue			
Mutual aid	\$ 50,000	\$ 66,250	\$ (16,250)
Fire protection fee	14,000	21,000	(7,000)
Total Program Revenue	64,000	87,250	(23,250)
Expenditures			
Salaries and wages	1,906,709	1,837,546	69,163
Employee benefits	1,337,144	1,303,232	33,912
Field Operations			
Material & supplies	15,850	16,929	(1,079)
Uniforms	12,095	8,520	3,575
Utilities	43,490	39,556	3,934
Maintenance & repairs	88,929	85,490	3,439
Radio communications	3,000	2,438	562
Training & memberships	57,549	46,977	10,572
Fire prevention	2,400	3,042	(642)
Vehicle maintenance	30,300	30,077	223
Total field operations	253,613	233,029	20,584
General & Administrative			
Board expenses	17,675	16,228	1,447
Accounting & audit services	10,071	8,744	1,327
Legal services	17,000	5,206	11,794
Insurance	28,026	29,317	(1,291)
Office expense	15,797	13,458	2,339
Travel & meetings	3,750	4,139	(389)
Other	-	-	-
Total general & administrative	92,319	77,092	15,227

(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, 2019

	Original and Final Budget	Actual	Budget Variance (Over) Under
Expenditures (Continued)			
Other expenditures			
Capital outlay	\$ 236,843	144,239	92,604
Debt service	-	-	-
Interest	-	-	-
Total other expenditures	<u>236,843</u>	<u>144,239</u>	<u>92,604</u>
Total Expenditures	<u>3,826,628</u>	<u>3,595,138</u>	<u>231,490</u>
Net Program Revenue (Expenditures)	(3,762,628)	(3,507,888)	(254,740)
General Revenues			
Property tax	3,412,997	3,425,899	(12,902)
Administrative fees	-	64,703	(64,703)
Grants	-	-	-
Interest	-	14,308	(14,308)
Rental Revenue	29,354	29,645	(291)
Other	<u>5,050</u>	<u>1,150</u>	<u>3,900</u>
Total General Revenues	<u>3,447,401</u>	<u>3,535,705</u>	<u>(88,304)</u>
Increase (Decrease) in Fund Balance	<u>\$ (315,227)</u>	27,817	<u>(343,044)</u>
Fund Balance – Beginning of Year		<u>914,112</u>	
Fund Balance – End of Year		<u>\$ 941,929</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, 2019

	Original and Final Budget	Actual	Budget Variance (Over) Under
Program Revenue			
Service fees	\$ 3,565,319	3,571,032	(5,713)
Connection fee	153,646	168,844	(15,198)
Grants	79,667	64,867	14,800
Total Program Revenue	3,798,632	3,804,743	(6,111)
Expenses			
Salaries and wages	1,177,392	1,264,348	(86,956)
Employee benefits	1,147,150	789,510	357,640
Field operations:			
Material & supplies	26,200	17,313	8,887
Uniforms	10,000	9,093	907
Chemicals & lab fees	20,000	36,988	(16,988)
Utilities	72,732	64,726	8,006
Maintenance & repairs	106,773	72,707	34,066
Training & memberships	24,145	20,147	3,998
Vehicle maintenance	33,900	35,083	(1,183)
Garbage contract	245,107	245,147	(40)
Total field operations	538,857	501,204	37,653

(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, 2019

	Original and Final Budget	Actual	Budget Variance (Over) Under
Expenses (Continued)			
General & administrative			
Board expenses	\$ 53,025	48,519	4,506
Accounting & audit services	17,909	15,184	2,725
Consultants	83,250	15,837	67,413
Legal services	13,500	17,318	(3,818)
Insurance	41,544	44,258	(2,714)
License, permit & contracts	39,561	33,024	6,537
Office expense	48,941	43,737	5,204
Travel & meetings	16,140	10,431	5,709
Office utilities	53,215	46,865	6,350
Total general & administrative	367,085	275,173	91,912
Other expenses			
Depreciation	710,295	674,107	36,188
Interest	38,926	37,508	1,418
Miscellaneous	-	2,112	(2,112)
Total other expenses	749,221	713,727	35,494
Total Expenses	3,979,705	3,543,962	435,743
Net Program Revenue (Expense)	(181,073)	260,781	(441,854)

(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, 2019

	Original and Final Budget	Actual	Budget Variance (Over) Under
General Revenues			
Property tax	\$ 117,500	142,068	(24,568)
Dedications		192,596	(192,596)
Administrative fees	20,600	4,141	16,459
Interest	15,200	160,300	(145,100)
Rental revenue	58,795	60,189	(1,394)
Other	-	-	-
	<u>212,095</u>	<u>559,294</u>	<u>(347,199)</u>
Total General Revenues			
Increase (Decrease) in Fund Balance	\$ <u>31,022</u>	820,075	<u>(789,053)</u>
Fund Balance – Beginning of Year		<u>12,729,591</u>	
Fund Balance – End of Year		<u>\$ 13,549,666</u>	

SQUAW VALLEY PUBLIC SERVICE DISTRICT

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

Governmental Activities

	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
District's proportion of the net pension liability (asset) %	0.03193	0.05073	0.0498	0.04803	0.045323
District's proportionate share of the net pension liability (asset) \$	3,076,605	3,031,127	2,579,354	1,979,217	1,398,722
District's covered-employee payroll \$	1,444,106	1,426,607	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 %	213.05	212.47	182.98	142.52	110.35
Plan fiduciary net position as a percentage of the total pension liability %	76.07	75.16	75.48	79.14	81.42

Business-Type Activities

	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
District's proportion of the net pension liability (asset) %	0.07032	0.06843	0.06679	0.06623	0.056594
District's proportionate share of the net pension liability (asset) \$	2,650,101	2,697,379	2,320,231	1,817,006	1,700,068
District's covered-employee payroll \$	1,293,000	1,141,501	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 %	204.96	236.30	200.03	173.46	170.29
Plan fiduciary net position as a percentage of the total pension liability %	74.82	73.39	74.18	79.15	83.03

Notes to Schedule:

Methods and assumptions used to determine contribution rates:

Valuation Date	6/30/2017	6/30/2016	6/30/2015	6/30/2014	6/30/2013
Actuarial cost method	Entry age normal cost method				
Amortization method	Level percent of payroll				
Asset valuation method	Market value				
Actuarial assumptions:					
Discount rate	7.15%	7.15%	7.65%	7.65%	7.50%
Projected salary increases	Varies by entry age and service				
Inflation	2.50%	2.75%	2.75%	2.75%	2.75%
Post Retirement Benefit increase	2.50%	2.75%	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 for Pensions (Unaudited)
Last 10 Years*

Governmental Activities

	6/30/19	6/30/18	6/30/17	6/30/16	6/30/15
Contractually Required Contribution	\$ 846,205	381,749	356,437	329,377	301,932
Contributions in relation to the contractually required contribution	\$ (846,205)	(381,749)	(356,437)	(329,377)	(301,932)
Contribution deficiency (excess)	\$ -0-	-0-	-0-	-0-	-0-
District's covered-employee payroll	\$ 1,444,106	1,426,607	1,409,624	1,388,693	1,267,582
Contributions as a percentage of covered-employee payroll	58.60%	26.76%	25.29%	27.32%	23.82%

Business-Type Activities

	6/30/19	6/30/18	6/30/17	6/30/16	6/30/15
Contractually Required Contribution	\$ 808,710	253,032	220,906	224,552	192,826
Contributions in relation to the contractually required contribution	\$ (808,710)	(253,032)	(220,906)	(224,552)	(192,826)
Contribution deficiency (excess)	\$ -0-	-0-	-0-	-0-	-0-
District's covered-employee payroll	\$ 1,293,000	1,141,501	1,159,919	1,047,508	998,317
Contributions as a percentage of Covered-employee payroll	62.55%	22.17%	19.04%	21.43%	19.32%

Notes to Schedule:

Methods and assumptions used to determine contribution rates:

Valuation Date	6/30/17	6/30/16	6/30/15	6/30/14	6/30/13
Actuarial cost method	Entry age normal cost method				
Amortization method	Level percent of payroll				
Asset valuation method	Market value				
Actuarial assumptions:					
Discount rate	7.15%	7.15%	7.65%	7.65%	7.50%
Projected salary increases	Varies by entry age and service				
Inflation	2.50%	2.75%	2.75%	2.75%	2.75%
Post Retirement Benefit increase	2.50%	2.75%	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 Changes in the Total OPEB Liability as of Measurement Date
Last 10 Years*

<u>As of Measurement Date of June 30th</u>	2017	2018
Total OPEB Liability – Beginning	\$577,372	\$616,532
Service Cost	31,009	31,862
Interest on TOL	20,519	23,789
Benefit Payments	(12,368)	(13,412)
Assumption Changes	-0-	(32,269)
Total OPEB Liability (TOL) – Ending*	<u>\$616,532</u>	<u>\$626,502</u>
Fiduciary Net Position (FNP)	-0-	-0-
FNP as a % of TOL	0%	0%

Schedule of OPEB Liability and Related Ratios – Last 10 Years*

Governmental Activities

<u>Measurement Date</u>	<u>Total OPEB Liability (TOL)</u>	<u>Covered Payroll (active plan members)</u>	<u>Total OPEB liability as a % of payroll</u>
6/30/2017 \$	279,216	1,426,607	19.57%
6/30/2018	281,926	1,444,106	19.52%

Business-Type Activities

<u>Measurement Date</u>	<u>Total OPEB Liability (TOL)</u>	<u>Covered Payroll (active plan members)</u>	<u>Total OPEB liability as a % of payroll</u>
6/30/2017 \$	337,316	1,141,501	29.55%
6/30/2018	344,576	1,293,000	26.65%

* Omitted years: GASB statement No. 75 was implemented during the year ended June 30, 2018

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to Schedule:

Methods and assumptions used to determine OPEB Liability:

Valuation Date	June 30, 2017
Actuarial cost method	Entry Age
Discount rate	3.5%
Projected salary increases	2.75%
Inflation	2.75%
Healthcare Cost Trend	4%
Mortality Rate Table	Derived using CalPERS' 2014 Mortality Data
Retirement Rates	<u>Firefighters:</u> Hired before 2013: 2009 CalPERS 3%@50 Rates for Firefighters Hired after 2012: 2009 CalPERS 2%@50 Rates for Firefighters <u>General Employees:</u> Hired before 2013: 2009 CalPERS 2.7%@55 Rates for Miscellaneous employees Hired after 2012: 2009 CalPERS 2%@60 Rates for Miscellaneous employees adjusted to reflect a minimum retirement age of 52
Service Requirement	100% at 5 years of service

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, 2019

	<u>Water Department</u>	<u>Sewer Department</u>	<u>Garbage Department</u>	<u>Other</u>	<u>Total Business- Type Activities (Utilities)</u>
Program Revenue					
Service fees	\$ 1,817,309	1,397,313	255,180	101,230	\$ 3,571,032
Connection fee	117,031	51,813	-	-	168,844
Grants	18,870	-	-	45,997	64,867
Total Program Revenue	\$ 1,953,210	1,449,126	255,180	147,227	\$ 3,804,743
Expenses					
Salaries and wages	\$ 782,062	404,661	2,090	75,535	1,264,348
Employee benefits	490,244	261,862	426	36,978	789,510
Field operations:					
Material & supplies	10,394	6,919	-	-	17,313
Uniforms	5,588	3,505	-	-	9,093
Chemicals & lab fees	36,988	-	-	-	36,988
Utilities	56,490	8,236	-	-	64,726
Maintenance & repairs	40,410	11,454	-	20,843	72,707
Training & memberships	14,121	6,026	-	-	20,147
Vehicle maintenance	21,998	13,085	-	-	35,083
Garbage contract	-	-	245,147	-	245,147
Total field operations	\$ 185,989	49,225	245,147	20,843	\$ 501,204

(Continued)

SQUAW VALLEY PUBLIC SERVICE DISTRICT
Combining Statement of Activities and Changes in Net Position
Business-Type Activities

For the Year Ended June 30, 2019

	<u>Water Department</u>	<u>Sewer Department</u>	<u>Garbage Department</u>	<u>Other</u>	<u>Total Business- Type Activities (Utilities)</u>
Expenses (Continued)					
General & administrative					
Board expenses	\$ 31,537	16,982	-	-	48,519
Accounting & audit services	9,870	5,314	-	-	15,184
Consultants	10,294	5,543	-	-	15,837
Legal services	9,613	5,176	-	2,529	17,318
Insurance	28,768	15,490	-	-	44,258
License, permit & contracts	21,465	11,559	-	-	33,024
Office expense	28,429	15,308	-	-	43,737
Travel & meetings	6,715	3,616	-	100	10,431
Office utilities	<u>30,462</u>	<u>16,403</u>	<u>-</u>	<u>-</u>	<u>46,865</u>
 Total general & administrative	 \$ 177,153	 95,391	 -	 2,629	 275,173
Other expenses					
Depreciation	\$ 398,373	275,734	-	-	674,107
Interest	24,380	13,128	-	-	37,508
Miscellaneous	<u>2,112</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,112</u>
Total other expenses	<u>\$ 424,865</u>	<u>288,862</u>	<u>-</u>	<u>-</u>	<u>713,727</u>
 Total Expenses	 <u>\$ 2,060,313</u>	 <u>1,100,001</u>	 <u>247,663</u>	 <u>135,985</u>	 <u>3,543,962</u>
 Net Program Revenue (Expense)	 \$ (107,103)	 349,125	 7,517	 11,242	 260,781

(Continued)

SQUAW VALLEY PUBLIC SERVICE DISTRICT
Combining Statement of Activities and Changes in Net Position
Business-Type Activities

For the Year Ended June 30, 2019

	<u>Water Department</u>	<u>Sewer Department</u>	<u>Garbage Department</u>	<u>Other</u>	<u>Total Business- Type Activities (Utilities)</u>
General Revenues					
Property tax	\$ 117,500	24,568	-	-	142,068
Dedications	167,596	25,000			192,596
Administrative fees	1,711	918	-	1,512	4,141
Interest	50,881	104,476	4,943	-	160,300
Rental revenue	39,123	21,066	-	-	60,189
Other	-	-	-	-	-
Total General Revenues	\$ 376,811	176,028	4,943	1,512	559,294
Increase (Decrease) in Net Balance	\$ 269,708	525,153	12,460	12,754	820,075

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, 2019

M^CCLINTOCK ACCOUNTANCY CORPORATION

ROBERT J. M^CCLINTOCK, CPA
KENDALL GALKA, CPA
ALICE HAHN

JAIME GIGNOUX, CPA
KELLEY ALTICK, CPA

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

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, 2019, 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 12, 2019.

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 12, 2019