

**SQUAW VALLEY PUBLIC SERVICE DISTRICT**

**OLYMPIC VALLEY, CALIFORNIA**

**BASIC FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT**

**For the Year Ended  
June 30, 2011**

SQUAW VALLEY PUBLIC SERVICE DISTRICT

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June 30, 2011

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# SQUAW VALLEY PUBLIC SERVICE DISTRICT

## Management's Discussion and Analysis

For the Year Ended June 30, 2011

As management of the Squaw Valley Public Service District, we are offering a brief narrative overview of the financial activities of the District for the fiscal year ending June 30, 2011. All information presented here should be read in conjunction with the District's audited financial statements following this section. Note: all financial statement values have been rounded to the nearest \$1,000.

### Financial Highlights

- ✓ Total Current Assets exceeded Total Liabilities by \$2,843,000.
- ✓ Total net assets decreased by \$165,000.
- ✓ Of the total net assets amount, \$ 601,000 is restricted and must be used only for specific purposes, \$ 4,755,000 is unrestricted is available for replacement of fixed assets and \$ 8,000 is unrestricted but dedicated to future obligations. See notes 8 & 9 in the financial statements.
- ✓ Of major importance is: Property tax revenues actually decreased this year by \$352,000. This is in addition to the \$129,000 decrease in 2009-10 which is a major blow to the District revenue and its ability to transfer funds to the Fixed Asset Replacement Reserves at the end of each year. Management is hopeful that this is the last year of major decline in taxes. It is due to reassessment of the major condominium properties and lack of real estate sales in the valley.
- ✓ Major projects this year were:
  - Well 5R -10 year Cleaning and Inspection was completed resulting in the recovery of about 9% of previously lost capacity
  - The Sewer Mapping and GPS of the Cleanouts were completed.
  - District Upgraded outdated software to Microsoft Office 2010 System on all workstations
  - The District is continuing the conversion of the Financial Accounting Software to a new network based version which should be completed in 2012.
  - The Easement Abatement Project is moving forward and should be completed in 2012.

# SQUAW VALLEY PUBLIC SERVICE DISTRICT

## Management's Discussion and Analysis

For the Year Ended June 30, 2011

### **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 government activities in a manner similar to a private-sector business. Governmental activities and enterprise (business-type) activities are reported separately.

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

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

- ✓ The STATEMENT OF NET ASSETS presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in the net assets is a good indicator of whether the District is financially healthy or deteriorating. Think of it as the difference between what is owned and what is owed.
- ✓ The STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS presents information showing how District net assets changed during the recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in 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. Comparative information can be obtained on the source and use of cash and subsequent change in the cash balances for the last fiscal year.

# SQUAW VALLEY PUBLIC SERVICE DISTRICT

## Management's Discussion and Analysis

For the Year Ended June 30, 2011

- ✓ *Notes to the basic financial statements* provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements.

### FUND FINANCIAL STATEMENTS

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

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

**Proprietary Funds** are used to report the business-type (previously called Enterprise) activities of the District. These activities include water, sewer, and garbage contract services.

### FINANCIAL ANALYSIS OF THE DISTRICT

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

#### Changes in Net Assets (In Thousands)

	Governmental		Business-Type		Total		Dollar Change	Percent Change
	Activities		Activities		Total			
	(Fire)		(Utility)					
	2010	2011	2010	2011	2010	2011		
Current and other assets	\$ 804	922	5,674	5,582	6,478	6,504	26	0.40%
Noncurrent assets	6,017	5,845	11,241	11,202	17,258	17,047	(211)	-1.22%
<b>Total Assets</b>	<b>\$ 6,821</b>	<b>6,767</b>	<b>16,915</b>	<b>16,784</b>	<b>23,736</b>	<b>23,551</b>	<b>(185)</b>	<b>-0.78%</b>
Long-term debt outstanding	\$ 498	545	2,134	2,130	2,632	2,675	43	1.63%
Other liabilities	433	362	616	623	1,049	985	(64)	-6.10%
<b>Total Liabilities</b>	<b>\$ 931</b>	<b>907</b>	<b>2,750</b>	<b>2,753</b>	<b>3,681</b>	<b>3,660</b>	<b>(21)</b>	<b>-0.57%</b>
<b>Net Assets:</b>								
Invested in property and equipment, net of related debt	\$ 5,223	5,121	9,185	9,282	14,408	14,403	(5)	-0.03%
Restricted	116	123	612	601	728	724	(4)	-0.55%

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Management's Discussion and Analysis

For the Year Ended June 30, 2011

Unrestricted	551	616	4,368	4,147	4,919	4,763	(156)	-3.17%
Total Net Assets	\$ 5,890	5,360	14,165	14,030	20,055	19,890	(165)	-0.82%

**FINANCIAL ANALYSIS OF THE DISTRICT (CONTINUED)**

Changes in Net Assets (In Thousands)

	Governmental		Business-Type		Total		Dollar Change	Percent Change
	Activities		Activities					
	(Fire)		(Utility)		2010	2011		
	2010	2011	2010	2011	2010	2011		
Program revenue	\$ 105	5	1,898	1,960	2,003	1,965	(38)	-1.90%
General Revenues								
Property Tax	2,513	2,448	713	426	3,226	2,874	(352)	-10.91%
Dedications	0	0	82	34	82	34	(48)	-58.54%
Other	(22)	45	326	263	304	308	4	1.32%
Total Revenues	\$ 2,596	2,498	3,019	2,683	5,615	5,181	(434)	-7.73%
Expenses	\$ 2,644	2,528	2,790	2,818	5,434	5,346	(88)	-1.62%
Increase (Decrease in net Assets)	\$ (48)	(30)	229	(135)	181	(165)	(346)	-191.16%

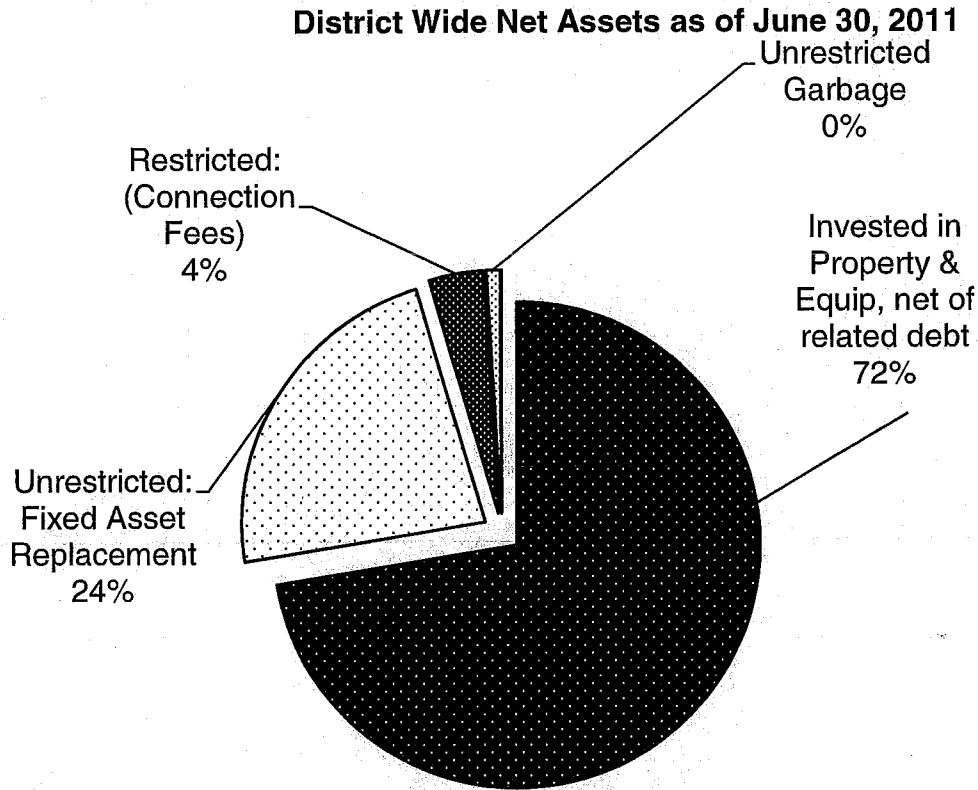
The Statement of Net Assets (pages 19 and 20) and the Statement of Revenues, Expenses and Changes in Net Assets (pages 21-23) provide an indication of the District's financial condition. Non-current assets decreased due to book transfer of a portion of the West property from Fire to Utility in 2005. It also indicates that revenues decreased this year mainly due to property taxes being decreased and only one small project was dedicated. The expenses decreased slightly this year due to elimination of training and careful management of business expenses while at the same time State and County fees continued to increase.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Management's Discussion and Analysis

For the Year Ended June 30, 2011

FINANCIAL ANALYSIS OF THE DISTRICT (CONTINUED)



An overall decrease in net assets for the year, shown in the Statement of Activities and Changes in Net Assets (pages 21-23), affects the transfer to capital for Fixed Asset Replacement. Even though it is not a major decline, it will be reflected in service rate increases to allow for funds to be transferred to these reserves for future replacement projects.

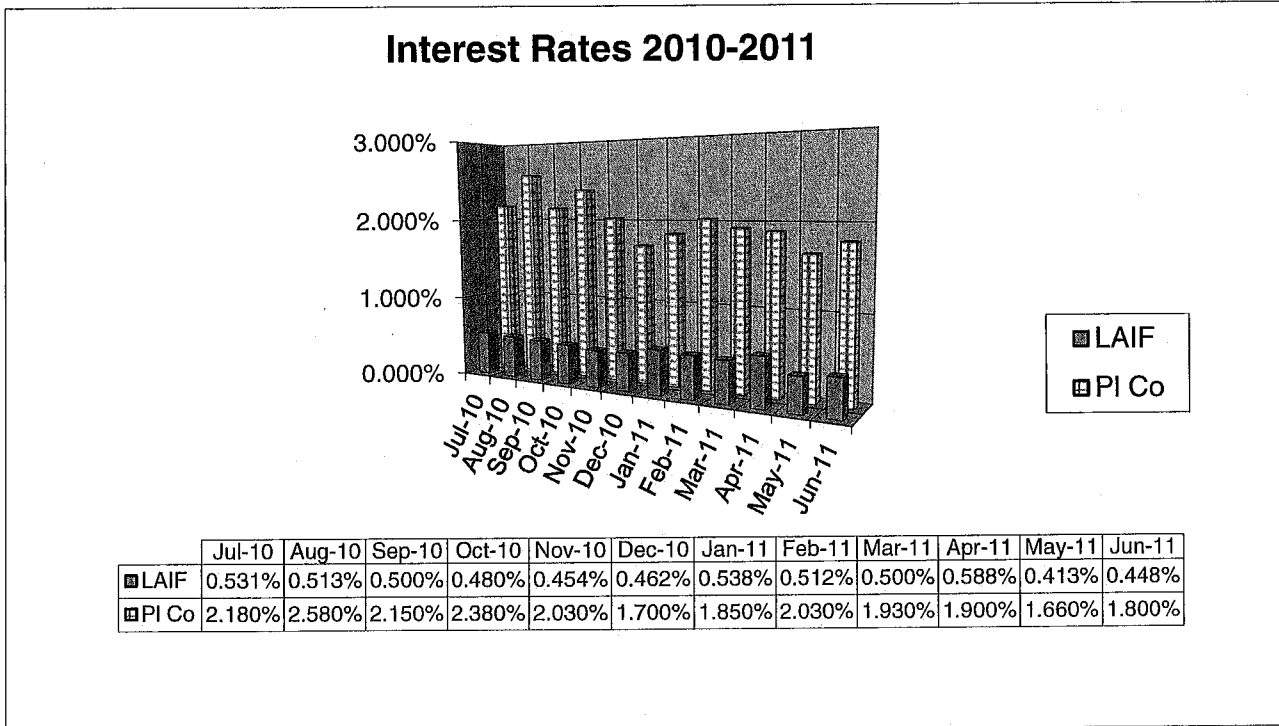
Connection fees are at the lowest in 20 years. They are reflecting the state of the economy. Permits were limited to only 5 remodels in the entire District during the year, two of which are in the River Corridor. There was not a single new residential permit issued. A normal high-growth construction year would result in around 15 new home permits and 3 to 5 remodels. This seriously affects the capital project funds.

# SQUAW VALLEY PUBLIC SERVICE DISTRICT

## Management's Discussion and Analysis

For the Year Ended June 30, 2011

**Current Assets – Cash** – The District retains most liquid funds in the pooled investment accounts, Local Agency Investment Funds or Placer County Tax Revenue Accounts and Investment Funds. These funds are moved into the operating accounts only when needed. Thus the investment accounts receive the best possible interest until needed to pay debt. The interest rates for both Placer County Investments and the Local Agency Investment Fund decreased further during the 2010-11 year. The rate of return for L.A.I.F has been so low that the District has moved most of the liquid savings funds to the Placer County Investment Fund. It is uncertain when the interest rates will trend upward.



### Receivables

In the accounts receivable, there were \$31,000 deposits on file at the end of the 2010-11 budget year and receivables due of \$27,000. The largest receivable was for Squaw Valley Ski Corporation for contracted water investigation work performed for their benefit. The deposits are due to a large deposit from the Resort at Squaw Creek that secured on-going legal, engineering and contract fees and now being held for further development costs. There were 2 rental deposits, deposits for ongoing easement adjustment costs and advance payment of District property rent by the Inn Shop of Squaw Valley.



# SQUAW VALLEY PUBLIC SERVICE DISTRICT

## Management's Discussion and Analysis

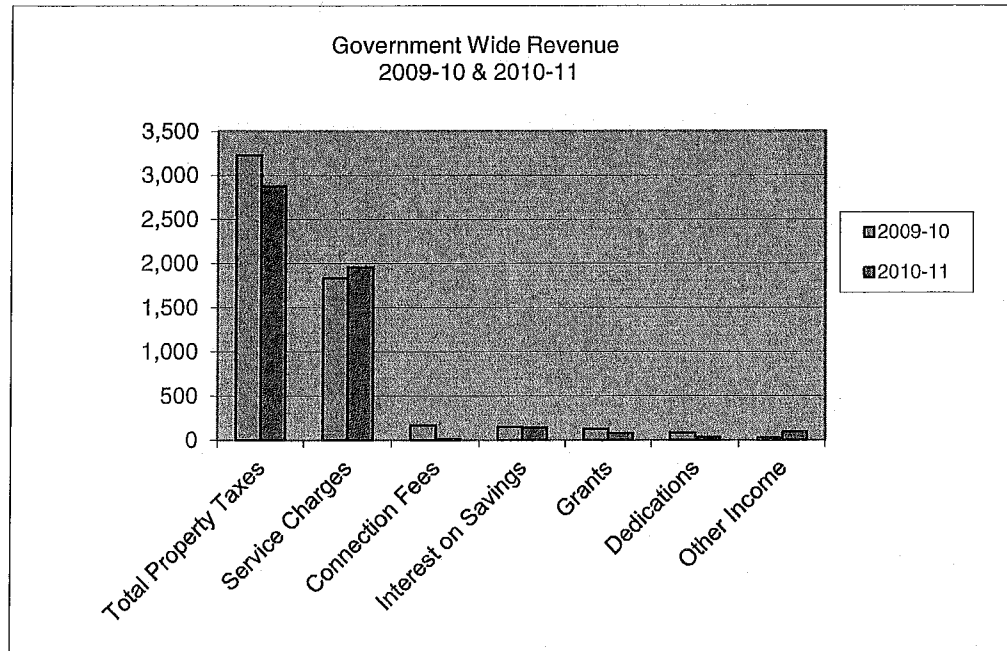
For the Year Ended June 30, 2011

\$20,081 in delinquent service fees were submitted to Placer County for collection on the 2011-2012 property tax rolls. This is larger than the previous year with one account owing \$4,300. It is most likely due to the downturn of economy although some accounts are on the delinquency list every year. The delinquencies total slightly over 1% of the total billed revenue.

### Government Wide Revenues

Government Wide Revenue 2009-10 & 2010-11 (In Thousands)

	2009-10		2010-11	
Total Property Taxes	3,226	57%	2,874	55%
Service Charges	1,836	33%	1,954	38%
Connection Fees	167	3%	11	0%
Interest on Savings	152	3%	140	3%
Grants	124	2%	78	2%
Dedications	82	1%	34	1%
Other Income	28	0%	91	1%
	<u>5,615</u>		<u>5,182</u>	



SQUAW VALLEY PUBLIC SERVICE DISTRICT

Management's Discussion and Analysis

For the Year Ended June 30, 2011

**Liabilities**

**Government Wide Liabilities for Long Term Loans**

	Interest Rate	2009-10 Balance	2010-11 Additions	2010-11 Annual	2010-11 Balance
<b>Governmental Activities</b>					
<b><u>Municipal Finance Corporation-Land (East Valley)</u></b>					
Final payment: 12/24/16	5.10%	\$ 568	0	70	498
<b>Total Long Term Debt - Governmental Activities</b>		<b>\$ 568</b>	<b>0</b>	<b>70</b>	<b>498</b>
<b><u>Municipal Finance Corporation-Land (East Valley)</u></b>					
Final payment: 12/24/16	5.10%	568	0	70	498
<b><u>California Infrastructure &amp; Economic Development Bank (Facility)</u></b>					
Final payment: 08/01/2028	3.63%	1,702	0	66	1,636
<b>Total Long Term Debt - Business Type Activities</b>		<b>\$ 2,270</b>	<b>0</b>	<b>136</b>	<b>2,134</b>

The Statement of Net Assets shows a current financial position with Total Current Assets (Page 19) as \$6,504,000 and Total Liabilities as \$3,661,000 (Page 20). The Long Term Loans shown above are solely for the Squaw Valley Public Service District & Fire Department Administration Building and land. The total annual Long-Term liability is only 4% of the total revenues of the District.

**Governmental Fund**

The Statement of Revenues, Expenditures, and Changes in Fund Balances for the Governmental Fund (pages 56 and 57) identifies the various revenue and expense items which impact the change in net assets for the Fire Department. Table 1 below compares the operating expenses for the Fiscal years 2009-10 with 2010-11 with the impact on the total fund.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Management's Discussion and Analysis

For the Year Ended June 30, 2011

**Governmental Fund - Program Expenses**  
**Fire Department - Fiscal Years 2009-10 & 2010-11**  
 (in Thousands)

	FY 2009-10	FY 2010-11	Change	%Change
Expenditures:				
Wages & Benefits	2,108	2,030	-78	-4%
Total Field Operations	202	153	-49	-24%
Total General & Administrative	73	73	0	0%
Total Departmental Expenditures	2,383	2,256	-127	-5%

2010-11 Salaries & Benefits were 4% less than the prior year amount due to the loss of one fireman and several injuries. Shifts continued to function with 3 men teams instead of 4 with the help of part-timers and increased overtime.

Field Operations expenses decreased from 2009-10 due to the decrease in training and reduction of vehicle maintenance expenses that caused increases in prior years.

Since the Fire Department is primarily financed by tax revenues, shown under General Revenues, and is dependent on retained funds for the following six months to pay expenditures, these funds are designated as unrestricted to be used for 2011-12 expenditures.

**Proprietary Fund (Business-Type Activities)**

The Statement of Revenues, Expenses, and changes in Fund Net Assets for the Proprietary Fund (pages 59-61) identifies the various revenue and expense items which impact the change in net assets for the Utility Department. Table 2 below compares the operating expenses for the Fiscal years 2009-10 with 2010-11 with the impact on the total fund.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Management's Discussion and Analysis

For the Year Ended June 30, 2011

Proprietary Fund - Program Expenses  
 Utility Department - Fiscal Years 2009-10 & 2010-11  
 (in Thousands)

	FY 2009-10	FY 2010-11	Change	%Change
Expenditures:				
Wages & Benefits	1,411	1,415	4	0%
Total Field Operations	357	342	-15	-4%
Total General & Administrative	175	197	22	13%
Total Departmental Expenditures	1,943	1,954	11	1%

**Table 2**

The Utility Department continued to have more unbillable projects in 2010-11 resulting in increased payroll costs. Also, the District administration billed less salaries to projects and to the Fire Department than originally anticipated which increased the overall expenditures.

Field expenses decreased primarily in the training and maintenance areas while utilities increased significantly as a result of increased gas prices. The increases in General and Administrative expenses are attributable to increased education expenses for new board members, legal services expenses for easement and Well site issues and again increased office utilities. Overall there was only a 1% increase in expenditures.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Management's Discussion and Analysis

For the Year Ended June 30, 2011

**General Fund Balances – 4 year comparison of funds available for capital projects**

**In Thousands**

		2008	2009	2010	2011
<b>Debt Service</b>					
Bal Fwd	\$	115	0	0	0
Increases		0	0	0	0
Decreases		16	0	0	0
Transfer		-99	0	0	0
Balance	\$	0	0	0	0
<b>Water Capital</b>					
Bal Fwd	\$	288	361	196	338
Increases		153	92	142	8
Decreases		179	257	0	16
Transfer		99	0	0	0
Balance	\$	361	196	338	330
<b>Sewer Capital</b>					
Bal Fwd	\$	20	8	16	0
Increases		11	8	6	2
Transfer from Sewer Fixed Assets		0	0	13	13
Expenditures		23	0	35	15
Balance	\$	8	16	0	0
<b>Inflow &amp; Infiltration Capital</b>					
Bal Fwd	\$	324	303	306	274
Increases		26	19	13	9
Decreases		47	16	45	13
Balance	\$	303	306	274	270
<b>Garbage Capital</b>					
Bal Fwd	\$	123	146	169	178
Increases		23	23	9	6
Decreases		0	0	0	0
Balance	\$	146	169	178	184
<b>Water Fixed Assets</b>					
Bal Fwd	\$	1324	1418	1520	1453
Increases		383	406	257	167
Decreases		289	304	324	539
Balance	\$	1418	1520	1453	1081
<b>Sewer Fixed Assets</b>					
Bal Fwd	\$	2083	2561	2903	2731
Revenues		650	434	243	203
Transfer to Sewer Capital				-13	-13
Expenditures		172	92	402	45
Balance	\$	2561	2903	2731	2876

# SQUAW VALLEY PUBLIC SERVICE DISTRICT

## Management's Discussion and Analysis

For the Year Ended June 30, 2011

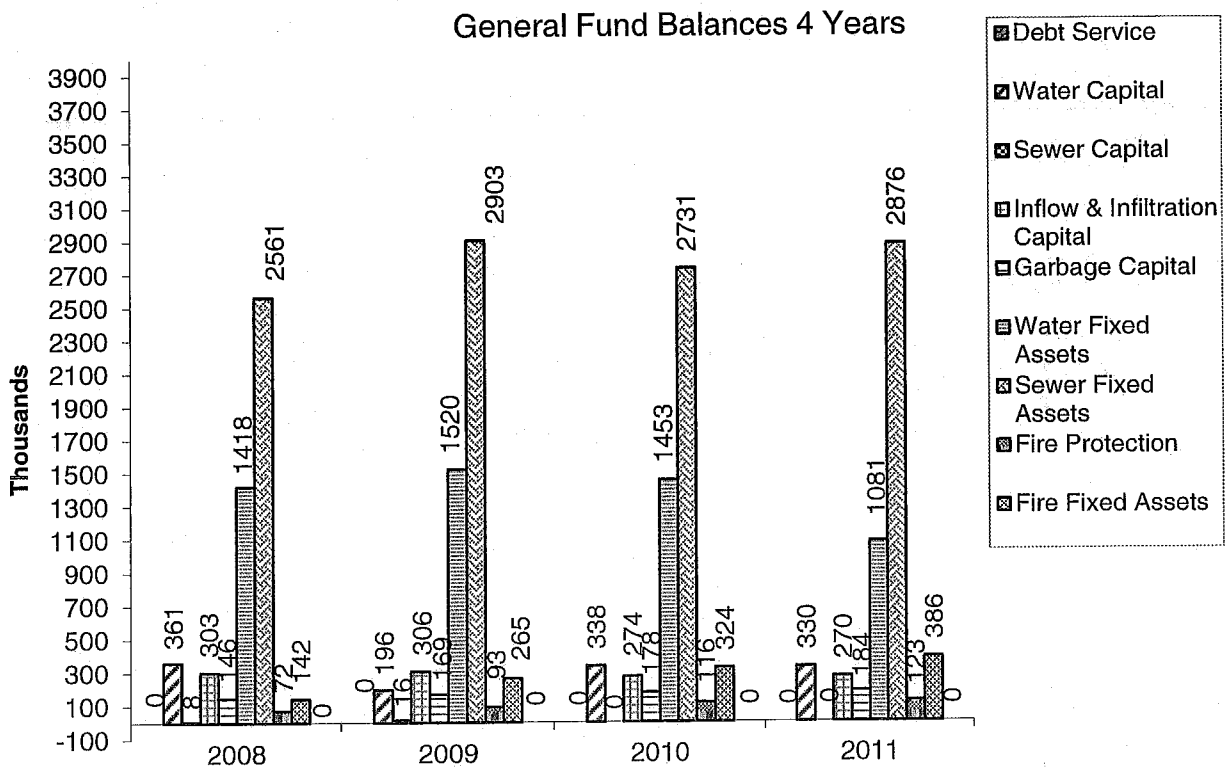
### General Fund Balances – 4 year comparison of funds available for capital projects – In Thousands

#### Fire Protection

Bal Fwd	\$	52	72	93	116
Increases		20	21	23	7
Decreases					
Balance	\$	72	93	116	123

#### Fire Fixed Assets

Bal Fwd	\$	191	142	265	324
Increases		79	170	161	115
Decreases		128	47	102	53
Balance	\$	142	265	324	386



# SQUAW VALLEY PUBLIC SERVICE DISTRICT

## Management's Discussion and Analysis

For the Year Ended June 30, 2011

### **Economic Factors and Next Year's Budget for FY 2011-2012**

The economic factors influencing the District's financial position during the 2011-12 fiscal year parallel some common indicators and predictions for the health of the national economy. Current conditions in the housing market continue to cause home prices to remain static, or fall, which directly affects the District's balance sheet through declining ad valorem tax revenues. Other symptoms like the low number of home-starts and the state's 12.1% unemployment rate (Sept. 2011) exacerbate the problem. Although inflation remains in control and interest rates are at all-time lows, recovery is expected to be slow.

The State of California's economy and budget share the same woes. Many of the state's services, traditionally provided through tax revenues, are now fee-based with many of the fees expected to increase. Governor Brown is seeking to implement reforms to the public employee pension program in 2012, which may result in savings for the District. Without improvements to the State's long-term revenue prospects, the District's tax revenues are at risk.

The assessed value of property within the District boundaries was decreased by the Placer County Assessor by \$94,370,824 or 4.14%. This is positive for property owners as it collectively saves them about \$943,000 in taxes but the District's tax revenues have been proportionally reduced by approximately \$128,717. In subsequent years, it is uncertain which direction the assessed valuation of properties will trend; further reductions are certainly possible, but not to the extent we have experienced to date.

Revenues from service charges are expected to increase by 1.7%, or \$28,780, from an increase in water and sewer rates of 8% and 6% respectively. The difference between the percent increases in service fees and projected revenues is due primarily to reduced water sales, an impact of implementing an inverted block price rate structure in 2001.

The District plans to continue annual payment of its long-term debt associated with the land acquisition for, and construction of, its Administrative Facility and Firehouse.

The District continues to reinvest in its capital by completing all of the capital improvement and replacement projects scheduled for 2011-12 at a total cost of \$1.7 M without the need to incur any additional debt financing. Significant projects and programs planned for completion in fiscal year 2011-12 include:

- Well #2R Reconstruction Project
- *Springbrook* Financial Accounting Software (Version upgrade)
- MH 45-A Sewage Flow Meter Installation Project
- East Booster Back-Up Power Upgrade Project

# SQUAW VALLEY PUBLIC SERVICE DISTRICT

## Management's Discussion and Analysis

For the Year Ended June 30, 2011

In order to save approximately \$431,000 over the next 10 years in interest expenses, the District anticipates the structure of an internal loan of approximately \$939,000 from its Sewer Fixed Assets Fund to pay-off its two CalPERS Retirement Side Fund liabilities in full. The interest rate charged by CalPERS on the debt is 7.75%. The internal loan will be structured to be paid off with annual payments from the Fire and Utility/Administration Departments' Operating Funds to the Sewer Fixed Assets Fund at a 3.0% APR with a 10-year payback period. The total interest liability for this internal loan is estimated to be \$157,000 and will be paid into the Sewer Fixed assets Replacement Fund. The interest savings enjoyed by paying off the Side Funds debt will reduce payroll expenses and improve interest earnings in the Sewer Fixed Assets Fund.

The District expects to continue funding its Fixed Asset Replacement Funds which helps preclude the need for debt financing, benefit assessments, or massive rate increases in the future.

Management expects impacts to staff workload and increased consulting fees in response to proposed development in the valley. If the proposed development is pursued and completed, years beyond FY 2011-12 have potential to see increased revenues.

A blend of opportunities and challenges are created for the District through retirement of staff in the Administration Department. Many of the staff have served the community in excess of 20 years. With retirement of personnel, there is invariably some loss of institutional knowledge and efficiencies. However, with existing cross-training and succession planning processes in place, the transition should be smooth.

Specific changes in staffing include the retirement of the General Manager, Rick Lierman, who retired after 20-years of service in June, 2011; retirement of the Board Secretary in April 2012; and backfilling a vacant firefighter position during the fiscal year.

In a cooperative effort to reduce the cost of operations in FY 2011-12, every member of the District's staff will contribute 2% of their annual salary towards their retirement benefit package as well as contributing 2% of the cost of their health, dental and vision insurance premiums. Although minor, initial savings are expected from the negotiation of a second tier retirement benefit plan for all new personnel, in both represented groups. Savings in benefit costs will progressively increase over time as staff retires / resigns and are replaced. The Board of Directors took a pay cut in 2010.

The District plans to complete a five-year Strategic Plan in January, 2012 which will provide a renewed vision on the District's direction moving forward.

Even with the future uncertain, the District will continue to provide high-quality efficient services.

This section of the MD&A was prepared on October 17, 2011, with progress made during the first quarter of the fiscal year known.



# SQUAW VALLEY PUBLIC SERVICE DISTRICT

## Management's Discussion and Analysis

For the Year Ended June 30, 2011

### **Request for Information**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in its 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](http://www.svpsd.org) or on a CD by contacting the District's office by phone: 530-583-4692.

# M<sup>c</sup>CLINTOCK ACCOUNTANCY CORPORATION

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Squaw Valley Public Service District

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and other remaining aggregate information of Squaw Valley Public Service District (District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States and the standards applicable to financial audits contained in the *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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of governmental activities, business-type activities, each major fund, and other remaining aggregate information of the District as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with generally accepted accounting principles in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2011 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 grants. 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit

performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Required Supplementary Information, such as Management's Discussion and Analysis and budgetary comparison information as listed in the table of contents, is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the Required Supplementary Information. However, we did not audit the information and express no opinion on the Required Supplementary Information.

*McClintock Accountancy Corporation*  
McCLINTOCK ACCOUNTANCY CORPORATION  
Tahoe City, California  
November 18, 2011

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Statement of Net Assets

June 30, 2011

Assets

	Primary Government		Total
	Governmental Activities (Fire)	Business-Type Activities (Utility)	
<b>Current Assets</b>			
Cash (Note 2)	\$ 132	\$ 166,656	\$ 166,697
Investments (Note 2)	890,194	5,363,327	6,253,521
Cash and cash equivalents	890,326	5,529,892	6,420,218
Receivables			
Service fees	-0-	19,033	19,033
Interest	1	26	27
Total Receivables	1	19,059	19,060
Less allowance for doubtful accounts	-0-	(1,500)	(1,500)
Net receivables	1	17,559	17,560
Prepaid expenses and other assets	32,161	34,266	66,427
Total Current Assets	922,488	5,581,717	6,504,205
<b>Noncurrent Assets</b>			
Plant, property, and equipment, at cost (Note 3)	7,550,093	23,167,407	30,717,500
Less accumulated depreciation (Note 3)	(1,931,455)	(11,751,407)	(13,682,862)
Net plant, property, and equipment	5,618,638	11,416,000	17,034,638
Inter-activity balances (Note 17)	226,494	(226,494)	-0-
Note discount and issue costs	-0-	12,331	12,331
Total Noncurrent Assets	5,845,132	11,201,837	17,046,969
Total Assets	\$ 6,767,620	\$ 16,783,554	\$ 23,551,174

The accompanying notes are an integral part of these statements.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Statement of Net Assets

June 30, 2011

Liabilities and Net Assets

	Primary Government		Total
	Governmental Activities (Fire)	Business-Type Activities (Utility)	
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 9,411	\$ 277,446	\$ 286,857
Accrued liabilities	280,302	205,468	485,770
Current portion of long-term debt (Note 4)	72,500	140,337	212,837
<b>Total Current Liabilities</b>	<u>362,213</u>	<u>623,251</u>	<u>985,464</u>
<b>Noncurrent Liabilities</b>			
Postemployment health benefits (Note 13)	120,270	136,600	256,870
Long-term debt (Note 4)	425,000	1,993,664	2,418,664
<b>Total Noncurrent Liabilities</b>	<u>545,270</u>	<u>2,130,264</u>	<u>2,675,534</u>
<b>Total Liabilities</b>	<u>907,483</u>	<u>2,753,515</u>	<u>3,660,998</u>
<b>Net Assets</b>			
Invested in property and equipment, net of related debt	5,121,138	9,281,999	14,403,137
Restricted (Note 8)	123,137	600,825	723,962
Unrestricted (Note 9)	615,862	4,147,215	4,763,077
<b>Total Net Assets</b>	<u>5,860,137</u>	<u>14,030,039</u>	<u>19,890,176</u>
 <b>Total Liabilities and Net Assets</b>	 <u>\$ 6,767,620</u>	 <u>\$ 16,783,554</u>	 <u>\$ 23,551,174</u>

The accompanying notes are an integral part of these statements.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Statement of Activities and Changes in Net Assets

For the Year Ended June 30, 2011

	Primary Government		Total
	Governmental Activities (Fire)	Business-Type Activities (Utility)	
Program Revenue			
Service fees	-0-	1,954,038	1,954,038
Fire protection fee	4,500	-0-	4,500
Connection fee	-0-	6,103	6,103
<b>Total Program Revenue</b>	<b>4,500</b>	<b>1,960,141</b>	<b>1,964,641</b>
Expenses			
Salaries and wages	1,283,135	920,720	2,203,855
Employee benefits	767,496	494,249	1,261,745
Field operations			
Material & supplies	9,589	12,229	21,888
Uniforms	4,553	3,953	8,506
Chemicals & lab fees	-0-	18,163	18,163
Minor equipment repair	-0-	399	399
Equipment rental	-0-	324	324
Utilities	48,833	49,984	98,817
Maintenance & repairs	39,635	17,120	56,755
Radio communications	1,782	-0-	1,782
Training & memberships	23,233	4,302	27,535
Fire prevention	2,958	-0-	2,958
Water conservation	-0-	128	128
Vehicle maintenance	22,642	22,218	44,860
Garbage contract	-0-	213,109	213,109
<b>Total field operations</b>	<b>\$ 153,225</b>	<b>\$ 341,999</b>	<b>\$ 495,224</b>

The accompanying notes are an integral part of these statements.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Statement of Activities and Changes in Net Assets

For the Year Ended June 30, 2011

	Primary Government		Total
	Governmental Activities (Fire)	Business-Type Activities (Utility)	
Expenses (Continued)			
General & administrative			
Board expenses	\$ 11,180	\$ 29,836	\$ 41,016
Accounting & audit services	10,186	14,780	24,966
Consultants	-0-	3,515	3,515
Legal services	786	23,888	24,674
Insurance	25,692	27,778	53,470
License, permit & contracts	-0-	21,140	21,140
Office expense	5,278	24,899	30,177
Travel & meetings	198	(1,005)	(807)
Office utilities	-0-	52,006	52,006
Other	19,924	-0-	19,924
Total general & administrative	<u>73,244</u>	<u>196,837</u>	<u>270,081</u>
Other expenses			
Depreciation	224,598	777,975	1,002,573
Interest	26,119	86,622	121,741
Total other expenses	<u>250,717</u>	<u>864,597</u>	<u>1,115,314</u>
Total Expenses	<u>2,527,871</u>	<u>2,818,402</u>	<u>5,346,219</u>
Net Program Revenue (Expense)	<u>\$ (2,523,317)</u>	<u>\$ (858,261)</u>	<u>\$ (3,381,578)</u>

The accompanying notes are an integral part of these statements.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Statement of Activities and Changes in Net Assets

For the Year Ended June 30, 2011

	Primary Government		Total
	Governmental Activities (Fire)	Business-Type Activities (Utility)	
<b>General Revenues</b>			
Property tax	\$ 2,448,166	\$ 425,922	\$ 2,874,088
Administrative fees	-0-	2,576	2,576
Grants	-0-	77,564	77,564
Dedications	-0-	33,637	33,637
Interest	11,995	127,585	139,580
Rental revenue	-0-	50,884	50,884
Gain (loss) on asset disposal	16,892	-0-	16,892
Other	16,564	4,786	21,350
<b>Total General Revenues</b>	<u>2,493,617</u>	<u>722,954</u>	<u>3,216,571</u>
<b>Increase (Decrease) in Net Assets</b>	(29,700)	(135,307)	(165,007)
<b>Net Assets – Beginning of Year</b>	<u>5,889,837</u>	<u>14,165,346</u>	<u>20,055,183</u>
<b>Net Assets – End of Year</b>	<u>\$ 5,860,137</u>	<u>\$ 14,030,039</u>	<u>\$ 19,890,176</u>

The accompanying notes are an integral part of these statements.



SQUAW VALLEY PUBLIC SERVICE DISTRICT

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

For the Year Ended June 30, 2011

	Water Department	Sewer Department	Garbage Contract	Total Business-Type Activities (Utility)
Program Revenue				
Service fees	\$ 988,512	\$ 744,125	\$ 221,401	\$ 1,954,038
Connection fee	1,320	4,783	-0-	6,103
<b>Total Program Revenue</b>	<b>989,832</b>	<b>748,908</b>	<b>221,401</b>	<b>1,960,141</b>
Expenses				
Salaries and wages	562,957	352,459	5,304	920,720
Employee benefits	290,778	202,494	977	494,249
Field operations				
Material & supplies	8,502	3,797	-0-	12,299
Uniforms	2,095	1,858	-0-	3,953
Chemicals & lab fees	18,140	23	-0-	18,163
Minor equipment repair	21	378	-0-	399
Equipment rental	190	134	-0-	324
Utilities	43,458	6,526	-0-	49,984
Maintenance & repairs	9,959	7,161	-0-	17,120
Training & memberships	1,708	2,594	-0-	4,302
Water conservation	128	-0-	-0-	128
Vehicle maintenance	11,139	11,079	-0-	22,218
Garbage contract	-0-	-0-	213,109	213,109
<b>Total field operations</b>	<b>\$ 95,340</b>	<b>\$ 33,550</b>	<b>\$ 213,109</b>	<b>\$ 341,999</b>

The accompanying notes are an integral part of these statements.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

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

For the Year Ended June 30, 2011

Expenses (Continued)	<u>Water Department</u>	<u>Sewer Department</u>	<u>Garbage Contract</u>	<u>Total Business-Type Activities (Utility)</u>
General & administrative				
Board expenses	\$ 20,587	\$ 9,249	\$ -0-	\$ 29,836
Accounting & audit services	10,198	4,582	-0-	14,780
Consultants	2,425	1,090	-0-	3,515
Legal services	16,632	7,256	-0-	23,888
Insurance	19,116	8,662	-0-	27,778
License, permit & contracts	14,587	6,553	-0-	21,140
Office expense	17,180	7,719	-0-	24,899
Travel & meetings	(693)	(312)	-0-	(1,005)
Office utilities	35,538	16,468	-0-	52,006
Total general & administrative	<u>135,570</u>	<u>61,267</u>	<u>-0-</u>	<u>196,837</u>
Other expenses				
Depreciation	477,506	300,469	-0-	777,975
Interest	59,769	26,853	-0-	86,622
Total other expenses	<u>537,275</u>	<u>327,322</u>	<u>-0-</u>	<u>864,597</u>
Total Expenses	<u>1,621,920</u>	<u>977,092</u>	<u>219,390</u>	<u>2,818,402</u>
Net Program Revenue (Expense)	<u>\$ (632,088)</u>	<u>\$ (228,184)</u>	<u>\$ 2,011</u>	<u>\$ (858,261)</u>

The accompanying notes are an integral part of these statements.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

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

For the Year Ended June 30, 2011

	<u>Water Department</u>	<u>Sewer Department</u>	<u>Garbage Contract</u>	<u>Total Business-Type Activities (Utility)</u>
General Revenues				
Property tax	\$ 322,320	\$ 103,602	\$ -0-	\$ 425,922
Administrative fees	1,546	1,030	-0-	2,576
Grants	77,564	-0-	-0-	77,564
Dedications	12,362	21,275	-0-	33,637
Interest	46,909	76,596	4,080	127,585
Rental revenue	25,442	25,442	-0-	50,884
Other	2,866	1,920	-0-	4,786
	<u>489,009</u>	<u>229,865</u>	<u>4,080</u>	<u>722,954</u>
Total General Revenues				
	<u>489,009</u>	<u>229,865</u>	<u>4,080</u>	<u>722,954</u>
Increase in Net Assets	<u>\$ (143,079)</u>	<u>\$ 1,681</u>	<u>\$ 6,091</u>	<u>\$ (135,307)</u>

The accompanying notes are an integral part of these statements.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Statement of Cash Flows

For the Year Ended June 30, 2011

	Primary Government		Total
	Governmental Activities (Fire)	Business-Type Activities (Utility)	
<b>Cash Flows from Operating Activities:</b>			
Cash receipts from customers	\$ 4,500	\$ 1,998,105	\$ 2,002,605
Cash payments to suppliers for goods and services	(1,014,820)	(1,018,862)	(2,033,682)
Cash payments to employees for services	(1,235,300)	(996,574)	(2,231,874)
Other receipts	16,564	7,362	23,926
<b>Net Cash Used by Operating Activities</b>	<b>(2,229,056)</b>	<b>(9,969)</b>	<b>(2,239,025)</b>
<b>Cash Flows From Noncapital Financing Activities:</b>			
Receipt of property taxes	2,448,166	425,922	2,874,088
Grants received	9,000	-0-	9,000
<b>Net Cash Provided By Noncapital Financing Activities</b>	<b>2,457,166</b>	<b>425,922</b>	<b>2,883,088</b>
<b>Cash Flows From Capital and Related Financing Activities:</b>			
Grants received	-0-	128,405	128,405
Repayment of long-term debt	(70,000)	(135,651)	(205,651)
Interest paid on long-term debt	(26,175)	(86,871)	(113,046)
<b>Net Cash Used By Capital and Related Financing Activities</b>	<b>(96,175)</b>	<b>(94,117)</b>	<b>(190,292)</b>
<b>Cash Flows From Investing Activities:</b>			
Purchase of capital assets	(52,828)	(504,712)	(557,540)
Proceeds from disposal of capital assets	16,892	-0-	16,892
Interest received on cash and investments	12,002	127,668	139,670
<b>Net Cash Used By Investing Activities</b>	<b>(23,934)</b>	<b>(377,044)</b>	<b>(400,978)</b>
<b>Net Increase (Decrease) In Cash</b>	<b>108,001</b>	<b>(55,208)</b>	<b>52,793</b>
Cash and Cash Equivalents – Beginning of Year	782,325	5,585,100	6,367,425
Cash and Cash Equivalents – End of Year	<b>\$ 890,326</b>	<b>\$ 5,529,892</b>	<b>\$ 6,420,218</b>

The accompanying notes are an integral part of these statements.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Statement of Cash Flows

For the Year Ended June 30, 2011

	Primary Government		Total
	Governmental Activities (Fire)	Business-Type Activities (Utility)	
Reconciliation of Increase in Net Assets to Net Cash Used by Operating Activities:			
Decrease in net assets	\$ (29,700)	\$ (135,307)	\$ (165,007)
Adjustments to reconcile increase in net assets to net cash used by operating activities:			
Depreciation	224,598	777,975	1,002,573
Amortization of debt costs	-0-	718	718
Gain on asset disposal	(16,892)	-0-	(16,892)
Dedications	-0-	(33,637)	(33,637)
Non-operating revenue	(2,460,161)	(631,071)	(3,091,232)
Non-operating expenses	26,119	85,904	112,023
Increase in:			
Receivables	-0-	(12,920)	(12,920)
Prepays	(19,833)	(5,416)	(25,249)
Increase (decrease) in:			
Accounts payable	(22,022)	(1,684)	(23,706)
Accrued liabilities	47,835	(56,031)	(8,196)
Postemployment health benefits	21,000	1,500	22,500
Total adjustments	<u>(2,199,356)</u>	<u>(125,338)</u>	<u>(2,074,018)</u>
Net Cash Used By Operating Activities	<u>\$ (2,229,056)</u>	<u>\$ (9,969)</u>	<u>\$ (2,239,025)</u>

The accompanying notes are an integral part of these statements.

# SQUAW VALLEY PUBLIC SERVICE DISTRICT

## Notes to the Financial Statements

June 30, 2011

### (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 Assets, a Statement of Activities and Changes in Net Assets 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 Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which the liability is incurred.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Assets 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

June 30, 2011

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

#### Government-Wide Financial Statements (Continued)

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

#### Governmental 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 assets as presented in these statements to the net assets presented in the Government-Wide Financial Statements

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

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

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

# SQUAW VALLEY PUBLIC SERVICE DISTRICT

## Notes to the Financial Statements

June 30, 2011

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

#### Proprietary Fund

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

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 Assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets present increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

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

#### Budgets and Budgetary Accounting

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

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



SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

June 30, 2011

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

Reserved Net Assets

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

Revenue Recognition - Property Taxes

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

Property & Equipment

Property and equipment having an extended useful life are capitalized as property and equipment at cost.

All property and equipment is valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed 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 property and equipment accounts.

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

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

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

June 30, 2011

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

Note Discount and Issue Costs

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

Compensated Absences

In accordance with District policy, the District has accrued a liability for vacation pay and sick leave which has been earned but not taken by District employees. This accrual represents the estimated probable future payments attributable to employees' service for all periods prior to June 30, 2011 at their current rate of pay.

Estimates

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

Statement of Cash Flows

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

Subsequent Events

The effect of subsequent events have been evaluated through November 18, 2011, which is the date the financial statements were available to be issued.

(2) CASH AND INVESTMENTS:

The District follows the practice of pooling cash and investments of all funds. Interest income earned on pooled cash and investments is allocated to the various funds based on quarter-end cash and investment balances of the respective fund. At June 30, 2011, the District's cash and investment balances included the following:

Pooled cash	\$ 166,697
Pooled investments	6,253,521
	<u>\$6,420,218</u>

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

June 30, 2011

(2) CASH AND INVESTMENTS: (Continued)

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

With the exception of deposit insurance provided by the Federal Deposit Insurance Corporation, this collateralizing process is categorized by GASB Statement No. 3 as being collateralized with securities held by the pledging financial institution or its agent but not in the District's name.

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

The District's investments in the State and County investment pool are categorized by GASB Statement No. 3 as Category A investments since these investments are fully insured by the related entity. These investment pools do not release a credit quality.

Investments of the District are summarized as follows:

	<u>Carrying Amount</u>	<u>Market Value</u>
State of California Local Agency Investment Fund	\$ 23,020	23,020
Placer County Pooled Investment Fund	<u>6,230,501</u>	<u>6,230,501</u>
Total	<u>\$ 6,253,521</u>	<u>6,253,521</u>

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

June 30, 2011

(3) PLANT, PROPERTY AND EQUIPMENT:

A summary of Governmental Activities plant, property, and equipment is presented below:

	Balance June 30, 2010	Additions	Deletions	Transfers	Balance June 30, 2011
Fire Department					
Land	\$ 1,012,603	-0-	-0-	-0-	\$ 1,012,603
Buildings	4,914,812	-0-	-0-	-0-	4,914,812
Equipment	1,670,860	52,828	102,147	-0-	1,621,541
Master plan	1,137	-0-	-0-	-0-	1,137
<b>Total Plant, Property and Equipment</b>	<b>7,599,412</b>	<b>52,828</b>	<b>102,147</b>	<b>-0-</b>	<b>7,550,093</b>
Accumulated Depreciation	1,809,004	224,598	102,147	-0-	1,931,455
<b>Net Book Value</b>	<b>\$ 5,790,408</b>				<b>\$ 5,618,638</b>

A summary of Business-Type Activities plant, property, and equipment is presented below:

	Balance June 30, 2010	Additions	Deletions	Transfers	Balance June 30, 2011
Utility Department:					
Water system	\$ 8,049,683	58,952	-0-	96,449	\$ 8,205,084
Sewage system	4,838,176	29,778	-0-	-0-	4,867,954
Interceptors	1,167,822	-	-0-	-0-	1,167,822
Other	7,251,159	18,032	5,311	-0-	7,263,880
Construction in progress	1,126,351	632,765	-0-	(96,449)	1,662,667
<b>Total Plant, Property and Equipment</b>	<b>22,433,191</b>	<b>739,527</b>	<b>5,311</b>	<b>-0-</b>	<b>23,167,407</b>
Accumulated Depreciation	10,978,743	777,975	5,311	-0-	11,751,407
<b>Net Book Value</b>	<b>\$ 11,454,448</b>				<b>\$ 11,416,000</b>

# SQUAW VALLEY PUBLIC SERVICE DISTRICT

## Notes to the Financial Statements

June 30, 2011

### (4) LONG-TERM DEBT:

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

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

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

June 30, 2011

(4) LONG-TERM DEBT: (Continued)

A summary of the District's Governmental Activities long-term debt at June 30, 2011 is as follows:

	<u>Balance June 30, 2010</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance June 30, 2011</u>
5.10% note for \$2,012,000, (\$1,006,000 Governmental Activities, \$1,006,000 Business-Type Activities) payable over 15 years to Municipal Finance Corporation, first payment due June 24, 2002 and semi-annually thereafter, maturity December 24, 2016, secured by net revenues	<u>\$ 567,500</u>	<u>\$ -0-</u>	<u>\$ 70,000</u>	<u>\$ 497,500</u>
Total Long-Term Debt	567,500	<u>\$ -0-</u>	<u>\$ 70,000</u>	497,500
Less Current Installments of Long-Term Debt	<u>70,000</u>			<u>70,000</u>
Long-Term Debt Excluding Current Installments	<u>\$ 497,500</u>			<u>\$ 425,500</u>

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

June 30, 2011

(4) LONG-TERM DEBT: (Continued)

A summary of the District's Business-Type Activities long-term debt at June 30, 2011 is as follows:

	Balance June 30, 2010	Additions	Payments	Balance June 30, 2011
5.10% note for \$2,012,000, (\$1,006,000 Governmental Activities, \$1,006,000 Business-Type Activities) payable over 15 years to Municipal Finance Corporation, first payment due June 24, 2002 and semi-annually thereafter, maturity December 24, 2016, secured by net revenues	\$ 567,500	\$ -0-	\$ 70,000	\$ 497,500
3.63% lease faculty for \$1,801,700, payable over 25 years to The California Infrastructure and Economic Development Bank, first payment due February 2005 and semi- annually thereafter, maturity August 2028, secured by existing District land and facilities.	1,702,152	-0-	65,651	1,636,501
Total Long-Term Debt	<u>2,269,652</u>	<u>\$ -0-</u>	<u>\$ 135,6561</u>	<u>2,134,001</u>
Less Current Installments of Long-Term Debt	<u>135,651</u>			<u>140,337</u>
Long-Term Debt Excluding Current Installments	<u>\$ 2,134,001</u>			<u>\$ 1,993,664</u>

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

June 30, 2011

(4) LONG-TERM DEBT: (Continued)

The annual requirements to amortize District long-term debt as of June 30, 2011 is as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 212,837	\$ 103,478	\$ 316,315
2013	225,096	93,628	318,724
2014	232,430	83,327	315,757
2015	244,842	72,573	317,415
2016	257,334	61,239	318,573
2017 through 2021	612,057	198,657	810,714
2022 through 2026	503,058	110,011	613,069
2027 through 2029	343,847	19,511	363,358
	<u>\$ 2,631,501</u>	<u>\$ 742,424</u>	<u>\$ 3,373,925</u>

(5) DEFERRED COMPENSATION PLANS:

A 457 Deferred Compensation Plan has been established by the District with ITT Hartford. Employees may elect to defer compensation up to 100% of their salary or \$16,500 (\$21,500 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 \$33,000 per year. This Plan is fully funded with ITT Hartford.

In addition, the District has also established a 457 Deferred Compensation Plan with the California Public Employees' Retirement System. Employees may elect to defer compensation up to 100% of their salary or \$16,500 (\$21,500 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 \$33,000 per year. This Plan is fully funded with the California Public Employees' Retirement System.



# SQUAW VALLEY PUBLIC SERVICE DISTRICT

## Notes to the Financial Statements

June 30, 2011

### (6) EMPLOYEE RETIREMENT SYSTEM:

#### a) Plan Description

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

#### b) Funding Policy

The District is required to contribute the actuarially determined amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal 2010/2011 was 21.390% for utility department employees and 22.517% for fire department employees. The contribution rate is established and may be amended by CalPERS.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

June 30, 2011

(6) EMPLOYEE RETIREMENT SYSTEM: (Continued)

c) Annual Pension Cost

For fiscal year 2010/2011, Squaw Valley Public Service District's annual pension cost was \$658,729 and the District actually contributed \$658,729. The required contribution for fiscal year 2010/2011 was determined as part of the June 30, 2008 actuarial valuation using the entry age actuarial cost method with the contributions determined as a level percent of payroll. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.25% to 14.45%; and (c) 3.25% cost-of-living adjustment. Both (a) and (b) include an inflation component of 3.0%.

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

The actuarial value of the plan's assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a three year period depending on the size of investment gains and/or losses. The plan's unfunded actuarial accrued liability (or excess assets) is being amortized as a level percentage of projected payroll on a closed basis. The amortization period at June 30, 2008 was 17 years for utility department employees and 16 years for fire department employees.

d) Three-Year Trend Information

Fiscal Year Ending	Utility Department Employees			Fire Department Employees		
	Annual Pension Cost (APC)	Percentage Of APC Contributed	Net Pension Obligation	Annual Pension Cost (APC)	Percentage Of APC Contributed	Net Pension Obligation
6/30/07	\$ 231,500	100 %	\$ -0-	\$ 245,233	100 %	\$ -0-
6/30/08	237,543	100	-0-	289,317	100	-0-
6/30/09	283,539	100	-0-	375,190	100	-0-

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

June 30, 2011

(6) EMPLOYEE RETIREMENT SYSTEM: (Continued)

e) Schedule of Funding Progress

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

Utility Department Risk Pool (In Thousands)

Valuation Date	Accrued Liability	Actuarial Value Of Assets	Unfunded Liability	Funded Ratio	Annual Covered Payroll	UL As a % of Payroll
6/30/05	\$ 872,347	\$ 729,557	\$ 142,790	83.6 %	\$ 203,995	70.0 %
6/30/06	1,280,157	1,069,547	210,610	83.6	304,898	69.1
6/30/07	1,627,026	1,362,059	264,967	83.7	376,292	70.4
6/30/08	1,823,366	1,529,549	293,818	83.9	414,590	70.9
6/30/09	2,140,439	1,674,260	466,179	78.2	440,071	105.9

Fire Department Risk Pool (In Thousands)

Valuation Date	Accrued Liability	Actuarial Value Of Assets	Unfunded Liability	Funded Ratio	Annual Covered Payroll	UL As a % of Payroll
6/30/05	\$ 6,367,049	\$ 5,295,150	\$ 1,071,899	83.2 %	\$ 664,148	161.4 %
6/30/06	7,278,050	6,102,616	1,175,434	83.9	754,730	155.7
6/30/07	7,986,055	6,826,599	1,159,456	85.5	831,608	139.4
6/30/08	8,700,468	7,464,928	1,235,540	85.8	914,841	135.1
6/30/09	9,721,675	8,027,159	1,694,517	82.6	973,814	174.0

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

June 30, 2011

(7) PROCEEDS OF TAX LIMITATION:

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

The proceeds of taxes limit for the fiscal year ended June 30, 2011 was \$4,686,028. The proceeds of taxes limit for the Fire Department reflects the adjustment allowed by District Ballot Measure B, passed in June 1991. This ballot measure allowed the appropriation limit to be set at the actual proceeds of taxes for the year 1991-92. The District's actual annual proceeds of taxes for the year ended June 30, 2011 was \$2,874,088, leaving a margin of \$1,811,940.

The proceeds of taxes limitation adopted by the District for the year ended June 30, 2012 is \$4,882,296.

(8) RESTRICTED NET ASSETS:

Net assets are subject to the following legal restrictions:

Governmental Activities:

Fire – protection fees	<u>\$ 123,137</u>
Total Restricted Net Assets – Governmental Activities	<u>\$ 123,137</u>

Business-Type Activities:

Capital projects – water	\$ 330,910
Inflow and infiltration	<u>269,915</u>
Total Restricted Net Assets – Business-Type Activities	<u>\$ 600,825</u>

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

June 30, 2011

(9) UNRESTRICTED NET ASSETS:

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

Governmental Activities:

Fixed asset replacement fund	\$ 386,836
Fixed asset replacement fund - building	226,494
Total Designated Net Assets	<u>613,330</u>
Undesignated Net Assets	<u>2,532</u>
Total Unrestricted Net Assets – Governmental Activities	<u>\$ 615,862</u>

Business-Type Activities:

Fixed asset replacement fund - water	\$ 1,081,247
Fixed asset replacement fund - sewer	2,876,084
Garbage	<u>184,393</u>
Total Designated Net Assets	<u>4,141,724</u>
Undesignated Net Assets	<u>5,491</u>
Total Unrestricted Net Assets – Business-Type Activities	<u>\$ 4,147,215</u>

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

Non-spendable fund balance consists of prepaid expenses (\$32,161) and inter-activity balances (\$226,494).

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

Committed fund balance consists of funds the District's Board of Directors has specifically designated by resolution for replacement of existing property and equipment.

(11) GARBAGE SERVICE:

Effective October 1, 1974, Ordinance No. 4 was passed by the Board of Directors of the Squaw Valley Public Service District providing for compulsory trash collection service for all District residents. The trash collections costs are paid by the service recipients. The District has contracted with a California corporation to provide the trash disposal services. An allocation of general and administrative expenses is made to garbage service cost, in addition to direct costs. Trash collection fees recognized in fiscal year ended June 30, 2011 were \$221,401 while expenses, both direct and allocated, totaled \$219,390.

# SQUAW VALLEY PUBLIC SERVICE DISTRICT

## Notes to the Financial Statements

June 30, 2011

### (12) GRANTS:

In June 2008, the District entered into a grant agreement with California Department of Water Resources (DWR). Grant funds are to be used for the District's well-aquifer-system interaction study. The grant provides that the DWR will pay up to \$220,630 of costs. As of June 30, 2011, the District had expended \$220,630 for the project. The District had received \$220,630 in reimbursements as of June 30, 2011.

In January 2009, the District entered into a grant agreement with the California Regional Water Quality Control Board, Lahontan Regional (Lahontan Water Board). Grant funds are to be used for the District's project to develop a groundwater monitoring plan and a groundwater management database for Squaw Valley. The grant provides that the Lahontan Water Board will pay up to \$46,216 of costs. As of June 30, 2011, the District had expended \$46,216 under the grant. The District had received \$46,216 in reimbursements as of June 30, 2011.

In May 2009, the District entered into a grant agreement with the Placer County Water Agency (PCWA). Grant funds are to be used for the District's East Booster Pump Station Electrical Retrofit Project. The grant provides that the PCWA will pay up to \$35,000 of costs. As of June 30, 2011, the District had expended \$35,000 for the project. The District had received \$35,000 in reimbursements as of June 30, 2011.

In May 2011, the District entered into a grant agreement with the Placer County Water Agency (PCWA). Grant funds are to be used for the District's East Booster Pump Station Electrical Retrofit Project, Phase II. The grant provides that the PCWA will pay up to \$10,000 of costs. As of June 30, 2011, the District had not expended any costs for the project.

# SQUAW VALLEY PUBLIC SERVICE DISTRICT

## Notes to the Financial Statements

June 30, 2011

### (13) POSTEMPLOYMENT HEALTH BENEFITS:

#### a) Plan Description

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

Government Accounting Standards require the recognition of postemployment health benefit costs, as detailed below, during the employee's period of employment. The District has for several years accrued a liability for postemployment health benefits. During the 2009/2010 fiscal year, the District implemented the provisions of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes uniform financial reporting standards for employers providing postemployment benefits other than pensions. The provisions of this Statement are applied prospectively and do not affect prior year's financial statements. Required disclosures are presented below. Currently, the District has two beneficiaries receiving these postemployment health benefits.

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

#### b) Funding Policy

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

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

June 30, 2011

(13) POSTEMPLOYMENT HEALTH BENEFITS: (Continued)

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

The most recent valuation data available for the Postemployment Health Benefit plan is for the year ended June 30, 2010. The District has included an estimate of \$22,500 (\$21,000 Governmental Activities and \$1,500 Business-Type Activities) in the financial statements for the year ended June 30, 2011. The following information is presented based on the plan's June 30, 2010 valuation.

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

	Governmental Activities	Business- Type Activities
Annual required contributions	\$ (134)	\$ 5,365
Interest on net Postemployment Health Benefit obligation	5,665	7,381
Annual Postemployment Health Benefit cost (expense)	5,531	12,746
Contributions made	(670)	(670)
Increase in net Postemployment Health Benefit obligation	4,861	12,076
Net Postemployment Health Benefit obligation – beginning of year	94,409	123,024
Net Postemployment Health Benefit obligation – end of year	<u>\$ 99,270</u>	<u>\$ 135,100</u>



SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

June 30, 2011

(13) POSTEMPLOYMENT HEALTH BENEFITS: (Continued)

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

The District's annual Postemployment Health Benefit cost, the percentage of annual Postemployment Health Benefit cost contributed to the plan, and the net Postemployment Health Benefit obligation for June 30, 2010 were as follows:

	<u>Governmental Activities</u>		<u>Net Postemployment Health Benefit Obligation</u>
	<u>Annual Postemployment Health Benefit Cost</u>	<u>Percentage of Annual Postemployment Health Benefit Cost Contributed</u>	
<u>Fiscal Year Ended</u> 6/30/2010	\$ 5,531	12.1%	\$ 99,270

	<u>Business-Type Activities</u>		<u>Net Postemployment Health Benefit Obligation</u>
	<u>Annual Postemployment Health Benefit Cost</u>	<u>Percentage of Annual Postemployment Health Benefit Cost Contributed</u>	
<u>Fiscal Year Ended</u> 6/30/2010	\$ 12,746	5.3%	\$ 135,100

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

June 30, 2011

(13) POSTEMPLOYMENT HEALTH BENEFITS: (Continued)

d) Funded Status and Funding Progress

The funded status of the plan as of June 30, 2010, was as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Actuarial accrued liability (AAL)	\$ 99,270	\$ 135,100
Actuarial value of plan assets	<u>-0-</u>	<u>-0-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 99,270</u>	<u>\$ 135,100</u>
Funded ratio (actuarial value of plan assets/AAL)	0%	0%
Covered payroll (active plan members)	\$ 1,152,310	\$ 952,217
UAAL as a percentage of covered payroll	8.6%	14.2%

e) Actuarial Methods and Assumptions

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

In the June 30, 2010 actuarial valuation the projected unit credit method was used. The actuarial assumptions included a 6% investment rate of return (net of administrative expenses). Increases for annual healthcare cost trends and the inflation assumption were accounted for based on the negotiated future cost of the benefits. The actuarial value of plan assets was \$0.

# SQUAW VALLEY PUBLIC SERVICE DISTRICT

## Notes to the Financial Statements

June 30, 2011

### (14) RISK MANAGEMENT:

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

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

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

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

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

June 30, 2011

(15) RENTAL ACTIVITY:

The District rents idle facilities to outside parties. These facilities have an original cost of \$1,053,650, accumulated depreciation of \$849,763, and a net book value of \$203,887. Rental income of \$50,884 is reflected in the Statement of Activities for the Business-Type Activity. Expenses for the rental activity, which are also reflected in the Statement of Activities, are as follows:

Salaries and benefits	\$ 15,034
Maintenance and repairs	1,032
Insurance	268
Utilities	10,833
Depreciation	<u>37,914</u>
Total Expenses	<u>\$ 65,081</u>

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

<u>Year Ending June 30</u>	<u>Amount</u>
2012	\$ 50,025
2013	38,275
2014	38,275
2015	28,956
	<u>155,531</u>

# SQUAW VALLEY PUBLIC SERVICE DISTRICT

## Notes to the Financial Statements

June 30, 2011

### (16) RELATED PARTY TRANSACTION:

As described in Note 15, the District rents idle facilities to outside parties. One of those parties is a non-profit organization where a member of the non-profit's board are also a member of the District's board and a member of the District's management. The total amount paid by the non-profit organization to the District was \$3,509 for the year ended June 30, 2011.

### (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.

### (18) CASH FLOWS:

During the 2010-11 fiscal year, the Business-Type Activity recognized the dedication of various water and sewer projects. These dedications resulted in non-cash items effecting capital financing and investing activities in the amount \$33,637.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Fund Financial Statements

Balance Sheet

June 30, 2011

Assets

	Primary Government	
	Governmental Fund (Fire)	Proprietary Fund (Utility)
Current Assets		
Cash	\$ 132	\$ 166,565
Investments	890,194	5,363,327
Cash and cash equivalents	890,326	5,529,892
Receivables		
Service fees	-0-	19,033
Interest	1	26
Total Receivables	1	19,059
Less allowance for doubtful accounts	-0-	(1,500)
Net receivables	1	17,559
Prepaid expenses and other assets	32,161	34,266
Total Current Assets	922,488	5,581,717
Noncurrent Assets		
Plant, property and equipment, at cost	-0-	23,167,407
Less accumulated depreciation	-0-	(11,751,407)
Net plant, property, and equipment	-0-	11,416,000
Inter-activity balances	226,494	(226,494)
Note discount and issue costs	-0-	12,3319
Total Noncurrent Assets	226,494	11,201,837
Total Assets	\$ 1,148,982	\$ 16,783,554

The accompanying notes are an integral part of these statements

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Fund Financial Statements

Balance Sheet

June 30, 2011

Liabilities

	<u>Primary Government</u>	
	<u>Governmental Fund (Fire)</u>	<u>Proprietary Fund (Utility)</u>
Liabilities		
Current Liabilities		
Accounts payable	\$ 9,411	\$ 277,446
Accrued liabilities	280,302	306,468
Current portion of long-term debt	-0-	140,337
Total Current Liabilities	<u>289,713</u>	<u>623,251</u>
Noncurrent Liabilities		
Postemployment health benefits	-0-	136,600
Long-term debt	-0-	1,993,664
Total Noncurrent Liabilities	<u>-0-</u>	<u>2,130,264</u>
Total Liabilities	289,713	2,753,515
Fund Balances		
Governmental Fund (Note 10)		
Nonspendable	258,655	-0-
Restricted	123,137	4,368,257
Committed	386,836	-0-
Unassigned	90,641	-0-
Proprietary Fund	650,248	4,368,257
Invested in property and Equipment, net of related debt	-0-	9,281,999
Restricted	-0-	600,825
Unrestricted	-0-	4,147,215
Total Fund Balances	<u>859,269</u>	<u>14,030,039</u>
Total Liabilities and Fund Balances	<u>\$ 1,148,982</u>	<u>\$ 16,783,554</u>

The accompanying notes are an integral part of these statements

SQUAW VALLEY PUBLIC SERVICE DISTRICT

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

June 30, 2011

Fund balance of governmental fund \$ 859,269

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

Property and Equipment used in governmental activities are not financial resources and therefore are not reported in governmental funds:

Land	\$	1,012,603
Buildings		4,914,812
Equipment		1,621,541
Master plan		1,137
Less accumulation depreciation		<u>(1,931,455)</u>

Net Book Value 5,618,638

Postemployment health benefits are not due and payable in the current period and, therefore, are not reported in the governmental funds (120,270)

Long-term debt is not due and payable in the current period and therefore are not reported in the funds (497,500)

Net assets of governmental activities \$ 5,860,137



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, 2011

	Original and Final Budget	Actual	Budget Variance (Over) Under
<b>Program Revenue</b>			
Mutual aid	\$ 3,350	\$ -0-	\$ 3,350
Fire protection fee	9,000	4,500	4,500
<b>Total Program Revenue</b>	<b>12,350</b>	<b>4,500</b>	<b>7,850</b>
<b>Expenditures</b>			
Salaries and wages	1,318,377	1,283,135	35,242
Employee benefits	858,906	746,496	112,410
<b>Field operations</b>			
Material & supplies	12,600	9,589	3,011
Uniforms	12,000	4,553	7,447
Utilities	44,000	48,833	(4,833 )
Maintenance & repairs	60,515	39,635	20,880
Radio communications	2,400	1,782	618
Training & memberships	45,043	23,233	21,810
Fire prevention	4,650	2,958	1,692
Vehicle maintenance	32,844	22,642	10,202
<b>Total field operations</b>	<b>214,052</b>	<b>153,225</b>	<b>60,827</b>
<b>General &amp; administrative</b>			
Board expenses	11,180	11,180	-0-
Accounting & audit services	10,831	10,186	645
Legal services	3,000	786	2,214
Insurance	34,000	25,692	8,308
Office expense	5,600	5,278	322
Travel & meetings	1,800	198	1,602
Other	19,924	19,924	-0-
<b>Total general &amp; Administrative</b>	<b>\$ 86,335</b>	<b>\$ 73,244</b>	<b>\$ 13,091</b>

The accompanying notes are an integral part of these statements

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, 2011

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Budget Variance (Over) Under</u>
Expenditures (Continued)			
Other expenditures			
Capital outlay	\$ 67,230	\$ 52,828	\$ 14,402
Debt service	70,000	70,000	-0-
Interest	26,093	26,119	(26)
	<u>163,323</u>	<u>148,947</u>	<u>14,376</u>
Total other expenditures			
Total Expenditures	<u>2,640,993</u>	<u>2,405,047</u>	<u>235,946</u>
Net Program Revenue (Expenditures)	<u>(2,473,170)</u>	<u>(2,400,547)</u>	<u>(228,096)</u>
General Revenues			
Property tax	2,473,170	2,448,166	25,004
Interest	1,150	11,995	(10,845)
Proceeds from capital disposal	-0-	16,892	(16,892)
Other	-0-	16,564	(16,564)
	<u>2,474,320</u>	<u>2,493,617</u>	<u>(19,297)</u>
Total General Revenues			
Increase (Decrease) in Fund Balance	<u>\$ (154,323)</u>	93,070	<u>\$ (247,393)</u>
Fund Balance – Beginning of Year		<u>766,199</u>	
Fund Balance – End of Year		<u>\$ 859,269</u>	

The accompanying notes are an integral part of these statements

SQUAW VALLEY PUBLIC SERVICE DISTRICT

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

For the Year Ended June 30, 2011

Increase in fund balance – governmental fund	\$	93,070
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental fund reports capital outlay for plant, property and equipment 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 plant, property and equipment	\$	52,828
Less – current year depreciation expense		<u>(224,598)</u> (171,770)
Increases in the accrual of postemployment health benefits is an expense in the Statement of Net Assets but does not use current financial resources and therefore is not reflected in the government fund		(21,000)
Repayment of long-term debt is an expenditure in the government fund but the repayment reduced long-term liabilities in the Statement of Net Assets		<u>70,000</u>
Increase in net assets of governmental activities	\$	<u><u>(29,700)</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 Net Assets  
Budget and Actual – Proprietary Fund (Utility)

For the Year Ended June 30, 2011

	Original and Final Budget	Actual	Budget Variance (Over) Under
Program Revenue			
Service fees	\$ 1,936,206	\$ 1,954,038	\$ (17,832)
Connection fee	30,964	6,103	24,861
Total Program Revenue	1,967,170	1,960,141	7,029
Expenses			
Salaries and wages	940,411	920,720	19,691
Employee benefits	496,570	494,249	2,321
Field operations:			
Material & supplies	14,900	12,299	2,601
Uniforms	5,000	3,953	1,047
Chemicals & lab fees	19,415	18,163	1,252
Minor equipment repair	1,450	399	1,051
Equipment rental	300	324	(24)
Utilities	35,495	49,984	(14,489)
Maintenance & repairs	27,118	17,120	9,998
Training & memberships	12,650	4,302	8,348
Water conservation	300	128	172
Vehicle maintenance	20,600	22,218	(1,618)
Garbage contract	218,255	213,109	5,146
Total field operations	\$ 355,483	\$ 341,999	\$ 13,484

The accompanying notes are an integral part of these statements

SQUAW VALLEY PUBLIC SERVICE DISTRICT  
Statement of Revenues, Expenditures, and Changes in Fund Net Assets  
Budget and Actual – Proprietary Fund (Utility)  
For the Year Ended June 30, 2011

Expenses (Continued)	Original and Final Budget	Actual	Budget Variance (Over) Under
General & administrative			
Board expenses	\$ 28,805	\$ 29,836	\$ (1,031)
Accounting & audit services	16,320	14,780	1,540
Consultants	2,000	3,515	(1,515)
Legal services	16,380	23,888	(7,508)
Insurance	34,353	27,778	6,575
License, permit & contracts	29,147	21,140	8,007
Office expense	37,593	24,899	12,694
Travel & meetings	3,150	(1,005)	4,155
Office utilities	47,612	52,006	(4,394)
<b>Total general &amp; administrative</b>	<b>215,360</b>	<b>196,837</b>	<b>18,523</b>
Other expenses			
Depreciation	-0-	777,975	(777,975)
Interest	86,787	86,622	165
<b>Total other expenses</b>	<b>86,787</b>	<b>864,597</b>	<b>(777,810)</b>
<b>Total Expenses</b>	<b>2,094,611</b>	<b>2,818,402</b>	<b>(723,791)</b>
<b>Net Program Revenue (Expense)</b>	<b>\$ (127,441)</b>	<b>\$ (858,261)</b>	<b>\$ 730,820</b>

The accompanying notes are an integral part of these statements

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Net Assets  
Budget and Actual – Proprietary Fund (Utility)

For the Year Ended June 30, 2011

	Original and Final Budget	Actual	Budget Variance (Over) Under
General Revenues			
Property tax	\$ 207,322	425,922	(218,600)
Administrative fees	2,000	2,576	(576)
Grants	-0-	77,564	(77,564)
Dedications	-0-	33,637	(33,637)
Interest	5,000	127,585	(122,585)
Rental revenue	50,375	50,884	(509)
Other	200	4,786	(4,586)
<b>Total General Revenues</b>	<b>264,897</b>	<b>722,954</b>	<b>(458,057)</b>
<b>Increase (Decrease) in Fund Balance</b>	<b>\$ 137,456</b>	<b>(135,307)</b>	<b>272,763</b>
Fund Balance – Beginning of Year		14,165,346	
Fund Balance – End of Year		<b>\$ 14,030,039</b>	

The accompanying notes are an integral part of these statements

# **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, 2011

# McCLINTOCK ACCOUNTANCY CORPORATION

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The Board of Directors of  
Squaw Valley Public Service District

We have audited the basic financial statements of the Squaw Valley Public Service District (District), as of and for the year ended June 30, 2011, and have issued our report thereon dated November 18, 2011. We conducted our audit in accordance with generally accepted auditing standards in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

## **Internal Control over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

A *significant deficiency* is a deficiency, or 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 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 over financial reporting was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we did not identify and



deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance 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 Result of our test disclosed not instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Directors of the District, others within the District, and the State Controller and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*McClintock Accountancy Corporation*

McCLINTOCK ACCOUNTANCY CORPORATION  
Tahoe City, California  
November 18, 2011