

# SQUAW VALLEY PUBLIC SERVICE DISTRICT

## REPORT TO THE BOARD OF DIRECTORS

June 30, 2016

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1. This is our report on the SVPSD 6/30/16 Financial Statements and our audit report.
2. The Board of Directors engaged our firm to audit the Financial Statements of the District. Our opinion on the Financial Statement is unmodified, or a “clean” opinion. The audit report is ours; the Financial Statements are representations of management.

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

3. Questions and answers regarding the financial statements.
4. Matters to be Communicated
  - Auditor Responsibility – An audit conducted under generally accepted auditing standards is designed to obtain reasonable, rather than absolute, assurance about the financial statements.
  - Accounting Policies/Accounting Estimates – Significant accounting policies are detailed in Note 1 of the financial statements. Significant estimates, as detailed in the financial statements, include depreciation expense, and retirement related accruals.
  - Significant adjustments/Passed adjustments – There were two audit adjustments proposed and provided to management compared to five in prior year. The proposed adjustments related to accruing for an unrecorded liability and expensing note issuance costs or accordance with GASB. There were four adjustments proposed by management.
  - Disagreements with management – None.
  - Difficulties encountered in performing the audit – None
5. Other Matters Noted – see attached.
6. We would like to thank management and staff for their fine cooperation during the audit.

# SQUAW VALLEY PUBLIC SERVICE DISTRICT

## OTHER MATTERS NOTED

June 30, 2016

### Current Year Matters

1. New Accounting Pronouncements

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

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

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

2. Accounting Memos

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

### Prior Year Matters

3. Adjusting Journal Entries

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

*As of June 30, 2016, the Finance Manager is in the process of familiarizing herself with the adjusting journal entries.*

4. Financial Statement Preparation and Tie-Out

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

*Recommendation:* We recommend that the District request from Gibson & Company a complete tie out of the financial statements and related disclosures to the supporting

workpapers maintained by them and that the tie out and related supporting documents be provided to us in a manual binder or complete electronic file in conjunction with the audit.

*During 2016, Supporting workpapers were obtained by the District and provided to us for the tie-out. Going forward, we recommend the District include the tied-out financials with references to all supporting documents in order to prevent additional questions during the tie-out process.*

**SQUAW VALLEY PUBLIC SERVICE DISTRICT**

OLYMPIC VALLEY, CALIFORNIA

BASIC FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITORS' REPORT

For the Year Ended

June 30, 2016

# SQUAW VALLEY PUBLIC SERVICE DISTRICT

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**SQUAW VALLEY PUBLIC SERVICE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDING JUNE 30, 2016**

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, 2016. All information presented here should be read in conjunction with the District's audited financial statements following this section.

**Financial Highlights**

- ✓ Total current assets exceeded total liabilities by \$903,000. This is an increase of FY2015 current assets exceeding total liabilities by \$257,000. This is due to cash and investments increasing offset by an increase in Net Pension Liability (note 7).
- ✓ In the second year of GASB 68 implementation, Net Pension liability was recorded at \$3,796,000 (\$1,979,000 for Fire and \$1,817,000 for Utility). This is an increase of \$697,000 from the prior year.
- ✓ Total net position increased by \$627,000 this year, primarily due to higher than anticipated ad valorem taxes received, reducing the balance of our land and building loans, offset by an increase in our net pension liability.
- ✓ Of the total net position, \$1,099,000 is restricted and must be used only for specific purposes, \$3,982,000 is unrestricted and available for replacement of fixed assets, and \$(2,185,000) is unrestricted but dedicated to future obligations (Note 10).
- ✓ Water rates from FY2015 increased by 12% and Sewer rates from FY2015 increased by 8%.
- ✓ Property tax revenues increased this year by \$282,000 from 2014-15, or about 9%

**Major projects this year included:**

- Repairs to Well 5R including replacement of the well pump.
- The forth and final year of the Sewer TV inspection project was completed.
- Research and feasibility planning was completed for a Redundant Water Supply for the Valley.
- Staff worked with Squaw Valley Real Estate to prepare a Water Supply Assessment, Environmental Impact Report (EIR), and an ongoing Development Agreement for the proposed Village at Squaw project.
- The District continues to receive funding to provide snow removal services on the Squaw Valley Bike Path. Reserves in the account amount to approximately \$57,000.
- Implementation of VUEWorks software, which provides improvements to the District's GIS to prepare capital projects and efficiencies (asset maintenance, labor, etc.)
- The District developed a SCADA Master Plan (phase I). The SCADA system is used to monitor wells, tanks, and other water/sewer system appurtenances throughout the District. Phase II was mostly completed which involved implementation and integration of the plan.
- The Operations Department Ford Explorer vehicle was replaced.
- Staff continues to work on the Water and Sewer Master Plan Update.
- This was the second year of providing Operations & Maintenance to the Mutual Water Company. Revenue generated from services amounted to \$98,000.
- Construction of a new Type 1 Engine began. Completion and delivery is expected in 2017.
- HVAC systems repairs occurred at the 305 building.

**SQUAW VALLEY PUBLIC SERVICE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDING JUNE 30, 2016**

**Overview of the Financial Statements**

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

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

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

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

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

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

**SQUAW VALLEY PUBLIC SERVICE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDING JUNE 30, 2016**

**FUND FINANCIAL STATEMENTS**

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

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

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

**FINANCIAL ANALYSIS OF THE DISTRICT**

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

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

	Governmental		Business-Type		Total		Dollar	Percent
	Activities		Activities					
	(Fire)	(Utility)	2015	2016	2015	2016	Change	Change
<b>Program &amp; Grant Revenue</b>	\$ 67	105	2,786	3,321	2,853	3,426	573	20%
<b>General Revenues</b>								
Property Tax	2,688	2,773	327	525	3,016	3,298	282	9%
Administrative Fees	-	-	35	28	35	28	(7)	-20%
General Grants	-	5	47	-	47	5	(42)	-89%
Interest	9	13	50	74	59	87	28	48%
Rental Revenue	-	-	55	66	55	66	11	20%
Other	18	51	28	41	46	92	46	100%
<b>Total Revenues</b>	<b>\$ 2,782</b>	<b>2,948</b>	<b>3,328</b>	<b>4,055</b>	<b>6,111</b>	<b>7,003</b>	<b>892</b>	<b>15%</b>
Expenses	\$ 2,714	2,719	2,903	3,657	5,617	6,376	759	14%
<b>Increase (Decrease) in Net Position</b>	<b>\$ 68</b>	<b>229</b>	<b>425</b>	<b>398</b>	<b>494</b>	<b>627</b>	<b>133</b>	<b>27%</b>

Total change in Net Position increased by \$627,000, which is 27% more than last year. Total Utility Revenues increased \$727,000, or 22%, resulting from increases in water, sewer, and garbage base rates, in addition to increased program grant revenue and property tax revenue. Program grant revenue received for the year was primarily due to the Redundant Water Supply Evaluation and the Bike Trail Snow Removal Program. Tax revenues allocated to Utility increased by \$198,000, or 61% in an effort to replenish extremely low fixed asset replacement funds. General grants decreased from the prior year because all grants received in the current year were for non-capital projects and thus coded with Program Revenue. Interest increased by \$28,000 due to the increase service fees and property taxes received. Rental revenue increased by \$11,000 due to filling a tenant space that was vacant for a portion of the prior year. Lastly, Other Revenues increased \$46,000, due to state mandated reimbursements and administration fees.



**SQUAW VALLEY PUBLIC SERVICE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDING JUNE 30, 2016**

Total revenues have increased \$892,000, or 15% and expenses have increased \$759,000, or 14%. Notable changes include a 12% increase in water fees, 8% increase in sewer fees, \$98,000 generated from the Mutual Water Company, and a \$35,000 increase in revenue for fire strike teams. There was a \$5,000 increase in expenses for the Fire Department, mostly due to \$19,000 increase in salaries and benefits offset by \$14,000 decrease in General & Admin Expenses. The Utility department saw a \$754,000 increase in expenses. There was a \$375,000 increase in employee salaries and benefits, mostly resulting from an increase in the PERS pension expense per GASB 68 valuation reports, realignment of pay scales from salary surveys, a decrease in billable wages, merit increases, promotions, in addition to hiring a new District Engineer to overlap with the retiring Operations Manager for 5½ months. Other expense increases included \$297,000 in consulting fees due to major studies conducted; the largest study being the Redundant Water Supply Evaluation which was funded in its entirety by a grant from DWR. Lastly, there was a \$15,000 increase in accounting expenses due to GASB 68 implementation and a \$25,000 increase in Office Expenses due to advertising for new positions as well as unforeseen computer repair expenses.

Changes in Net Assets (In Thousands)								
	Governmental		Business-Type		Total		Dollar	Percent
	Activities		Activities					
	(Fire)	(Utility)	2015	2016	2015	2016	Change	Change
Current and other Assets	\$ 1,232	1,371	5,185	6,128	6,417	7,499	1,082	17%
Non-Current Assets	5,113	4,940	10,348	9,680	15,461	14,620	(842)	-5%
Total Assets	\$ 6,345	6,311	15,533	15,808	21,878	22,119	241	1%
Deferred Outflows	518	726	270	385	788	1,111	323	41%
Current Liabilities	\$ 586	570	637	712	1,223	1,282	59	5%
Non-Current Liabilities	1,923	2,097	3,013	3,217	4,936	5,314	378	8%
Total Liabilities	\$ 2,509	2,667	3,650	3,929	6,159	6,596	437	7%
Deferred Inflows	589	375	490	202	1,079.00	577	(502)	-47%
Net Position:								
Net Inv in Capital Assets	\$ 4,704	4,621	9,041	8,540	13,745	13,161	(584)	-4%
Restricted	201	232	700	866	901	1,098	197	22%
Unrestricted	(1,140)	(860)	1,922	2,656	782	1,796	1,014	130%
Total Net Position	\$ 3,765	3,994	11,663	12,062	15,428	16,056	628	4%

Total Current Assets have increased \$1,082,000, or 17% from the prior year. Cash and Cash Equivalents have increased \$1,122,000 due to increased fees, increased ad valorem tax revenues, and delayed spending in capital projects. The District retains mostly liquid funds in pooled conservative investment accounts with Placer County Investment Funds, Placer County Revenue Funds, or the Local Agency Investment Funds. These funds are transferred into the daily operating accounts only when needed, in order to allow the maximum generation of interest income.

**SQUAW VALLEY PUBLIC SERVICE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDING JUNE 30, 2016**

Accounts Receivable has decreased by \$38,000, or 23%. We accelerated our pass-through billing for various construction projects in the District, particularly with Squaw Valley Real Estate, Resort at Squaw Creek, Palisades, and the Quinquennial Review. This reduced our aging time significantly. Delinquent service fees in the amount of \$26,100 were submitted to Placer County for collection on the 2016-2017 property tax rolls, which is a 16% increase from the prior year. These delinquencies total less than 1% of the total billed revenue.

Net non-current assets (fixed assets) have decreased by \$842,000 from the previous year, mostly as a result of depreciation offsetting investments into fixed assets. While this can be interpreted that the District's infrastructure is aging quicker than it is being repaired and/or replaced, it is not prudent to repair or replace assets that have a low probability of failure or have a very low consequence of failure. However, contributions into Capital Replacement accounts should continue and even accelerate to offset the rate of depreciation and to provide adequate reserves for the eventual replacement of assets.

Current Liabilities have increased \$59,000 from the prior year, mostly due to excess funds from the bike trail snow removal project and payroll related expenses. Any contributions received for the Bike Trail Snow Removal Program that are not spent are kept in a reserve fund to be used for operating expenses in the event of a budget shortfall.

Net Noncurrent Liabilities have increased by \$378,000. The Net Pension Liability increased \$697,000. Under GASB 68 standards, each participating cost-sharing employer is required to report its actuarially determined proportionate share of the collective net pension liability, pension expense, and deferred inflows/outflows of resources in their financial statements. Previous to GASB 68, the District was only required to report the actual payments submitted to the pension plan as an expense, and no liability or deferred inflows/outflows. For more information on the District's pension plan, see Note 7 of the Financial Statements. The Net Pension Liability increase is offset by Postemployment Health Benefits decreasing by \$55,000. This is an actuarially determined number based on retirees receiving post employment health insurance through the District's plan. Lastly, the District continues to pay-off its long-term debt obligation for its administration and fire headquarters (maturing in 2028), and the corresponding land (maturing in December 2016), collectively a reduction of \$265,000 from the prior fiscal year.

During the fiscal year, the District had a cash surplus of \$962,000, which was 82% more than the prior year's cash surplus of \$530,000. This increase is associated with an increase of reimbursable projects, an increase in rates to customers, an increase in ad valorem tax revenue, an increase in bike trail snow removal reserves, and investing less in capital assets.

The District continues to maintain a healthy Current Ratio of 5.85:1 (Current Assets against Current Liabilities), which has increased from the prior year from 5.24:1. This change is a result of increased fees and increased ad valorem tax, as noted above. Total Cash & Cash Equivalents against Total Liabilities is 1.1:1, an increase from 1:1 in the prior year. The District's cash and liquidity position still remains strong, and is poised to address any immediate catastrophic repair and/or replacement of key assets and infrastructure.

**SQUAW VALLEY PUBLIC SERVICE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDING JUNE 30, 2016**

Even though the District's cash position remains strong, reserves should continue to be allocated into fixed asset replacement funds for anticipated replacement and/or repair of the District's aging infrastructure. In the current year we increased our reserve and capital accounts by \$778,000. This is a turn-around from prior years' poor economic conditions and a reduction of ad valorem tax revenues. Being able to grow our reserve accounts will mitigate potential adverse exposure to the sustainability of the District's infrastructure. The District is currently working on a 100 year asset replacement plan and we anticipate future budgets to include additional funding for these projects without resorting to unnecessary special assessments or material rate increases.

The District maintains separate Fund accounts for our capital projects that are summarized on the next page. Notable purchases from the Fund balances for the year are as follows; there was a \$23,000 decrease to the Inflow & Infiltration Capital Fund due primarily to TV inspection repairs on the sewer. There was a \$22,000 decrease to the Garbage Fixed Asset Replacement due to shared costs with the Water and Sewer Funds. Purchases included the new Ford Explorer, Roof Repairs, and the HVAC system upgrade. There was a \$101,000 decrease to the Water Fixed Assets Fund due primarily to a new pump on Well 5R, maintenance equipment, and the SCADA Master Plan. There was a decrease of \$58,000 to the Sewer Fixed Assets Fund due primarily to new equipment and the SCADA Master Plan. Lastly, there was a \$27,000 decrease to the Fire Fixed Asset Replacement Fund due to hose and nozzle purchases, turn out gear, and the initial payments for the Type 1 Engine. Between connection fees, excess operating funds and taxes, and interest earned, we contributed \$1,009,000 to our fund accounts (before capital purchases). As our Fixed Asset Replacement needs are determined, we anticipate an increase in reserves to be allocated to each Fund.

**SQUAW VALLEY PUBLIC SERVICE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDING JUNE 30, 2016**

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

(in thousands)	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>Water Capital</b>					
Beginning Balance	331	392	441	526	541
Increases	63	64	100	15	170
Decreases	(2)	(15)	(15)	(0)	-
Ending Balance	392	441	526	541	711
<b>Sewer Capital</b>					
Beginning Balance	-	-	7	-	-
Increases	5	7	6	3	8
Transfer from Sewer Fixed Assets	74	-	15	11	-
Decreases	(79)	-	(28)	(14)	-
Ending Balance	-	7	-	-	8
<b>Inflow &amp; Infiltration Capital</b>					
Beginning Balance	270	274	241	199	159
Increases	11	11	10	5	11
Decreases	(7)	(44)	(51)	(45)	(23)
Ending Balance	274	241	199	159	147
<b>Garbage Capital</b>					
Beginning Balance	184	192	195	184	178
Increases	8	3	3	5	6
Decreases	-	-	(13)	(11)	(22)
Ending Balance	192	195	184	178	163
<b>Water Fixed Assets</b>					
Beginning Balance	1,081	57	254	169	46
Increases	61	237	78	65	366
Decreases	(1,085)	(40)	(163)	(188)	(101)
Ending Balance	57	254	169	46	311
<b>Sewer Fixed Assets</b>					
Beginning Balance	2,876	2,628	2,576	2,640	2,665
Increases	102	215	241	213	176
Transfer to Sewer Capital	(74)	-	(28)	(11)	-
Decreases	(276)	(267)	(149)	(177)	(58)
Ending Balance	2,628	2,576	2,640	2,665	2,783
<b>Fire Protection Funds</b>					
Beginning Balance	123	134	151	173	201
Increases	11	17	22	28	31
Decreases	-	-	-	-	-
Ending Balance	134	151	173	201	232
<b>Fire Fixed Assets</b>					
Beginning Balance	387	218	387	446	511
Increases	85	191	100	106	240
Decreases	(254)	(22)	(41)	(41)	(27)
Ending Balance	218	387	446	511	724

**SQUAW VALLEY PUBLIC SERVICE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDING JUNE 30, 2016**

**Economic Factors and Financial Outlook for FY 2016-17**

Home purchases in the Valley have slightly increased as well as the median price. This directly impacts the District's balance sheet through ad valorem tax revenues as we saw an increase in 2015-16. The state unemployment rate improved (5.5% in September 2016), low interest rates continue, and tame inflation indicators are believed to support a growing economic outlook for the District.

The total assessed values within District boundaries increased \$5 million to \$1.282 billion in 2016-17, from \$1.277 billion in 2015-16. The District's resulting estimated net ad valorem tax revenue is expected to be \$3,347,000. This is a \$49,000, or 1.5% increase from the \$3,298,000 net received in 2015-16.

The District continues to monitor the Fixed Asset Replacement needs. Many capital projects are anticipated for the 2016-2017 fiscal year which includes the Design of the Truckee River Siphon, SCADA Master Plan Phase 3, new intersection manholes, painting and landscaping at 1810 Squaw Valley Road, purchase of a new Type 3 Engine, and the replacement the Type 1 Engine. Total capital projects are budgeted at \$1,201,000.

The Public Employees' Pension Reform Act became law January 1, 2013 and is expected to result in significant long term savings in the costs for employee benefits. The law grandfathers existing employees and members of CalPERS. The savings will be reflected this year as three long term employees retired in the first month of the 2016-2017 year. They were replaced by new PEPRA employees.

The District plans to continue annual payment of its long-term debt associated with the land acquisition and construction of our Administrative Facility and Firehouse. The land will be paid off in December 2016. The District expects to continue funding its Fixed Asset Replacement Funds, which helps preclude the need for debt financing and benefit assessments in the future. In conjunction with funding the Fixed Asset Replacement funds, the District is conducting a Cost of Service and Rate Study which will set our rates and allow for funding of future long term capital projects.

Management expects greater workloads to staff and increased reimbursable consulting fees in response to multiple projects and development agreements with the Village, Resort at Squaw Creek, Plumpjack, and Palisades. If the proposed developments are pursued and completed, increased revenues in future years can be expected.

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

This section of the MD&A was prepared on November 21, 2016.

**SQUAW VALLEY PUBLIC SERVICE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDING JUNE 30, 2016**

**Request for Information**

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

# McCLINTOCK ACCOUNTANCY CORPORATION

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Squaw Valley Public Service District

### Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Squaw Valley Public Service District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used

and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Squaw Valley Public Service District, as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-11, the budgetary comparison schedules on pages 59-63, the Schedule of the District's Proportionate Share of the Net Pension Liability on page 64 and the Schedule of Contributions to the Pension Plan on page 65 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



### *Supplementary Information*

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance

*McClintock Accountancy Corporation*

McCLINTOCK ACCOUNTANCY CORPORATION  
Tahoe City, California  
November 21, 2016

# Basic Financial Statements

Government-Wide  
Financial  
Statements

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Statement of Net Position

June 30, 2016

	<u>Assets</u>		<u>Total</u>
	<u>Governmental Activities (Fire)</u>	<u>Business-Type Activities (Utility)</u>	
<b>Current Assets</b>			
Cash (Note 2)	\$ 92,492	829,140	921,632
Investments (Notes 2 and 3)	1,247,078	5,178,555	6,425,633
Cash and cash equivalents	1,339,570	6,007,695	7,347,265
<b>Receivables</b>			
Service fees	14,566	54,237	68,803
Interest	1,166	5,420	6,586
Other	-0-	49,256	49,256
Total Receivables	15,732	108,913	124,645
Prepaid expenses and other assets	15,563	11,576	27,139
Total Current Assets	1,370,865	6,128,184	7,499,049
<b>Noncurrent Assets</b>			
Capital assets, at cost (Note 4)	7,633,865	25,304,909	32,938,774
Less accumulated depreciation (Note 4)	(2,920,237)	(15,398,899)	(18,319,136)
Net capital assets	4,713,628	9,906,010	14,619,638
Inter-activity balances (Note 17)	226,494	(226,494)	-0-
Total Noncurrent Assets	4,940,122	9,679,516	14,619,638
Total Assets	\$ 6,310,987	15,807,700	22,118,687
<b>Deferred Outflows of Resources</b>			
Deferred outflows related to pensions (Note 7)	\$ 725,512	384,523	1,110,035
Total Deferred Outflows of Resources	\$ 725,512	384,523	1,110,035

(Continued)

The accompanying notes are an integral part of these statements.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Statement of Net Position

June 30, 2016

Liabilities and Net Position

	<u>Primary Government</u>		<u>Total</u>
	<u>Governmental Activities (Fire)</u>	<u>Business-Type Activities (Utility)</u>	
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 9,076	41,689	50,765
Accrued liabilities	468,743	497,970	966,713
Current portion of long-term debt (Note 5)	<u>92,500</u>	<u>172,409</u>	<u>264,909</u>
<b>Total Current Liabilities</b>	<u>570,319</u>	<u>712,068</u>	<u>1,282,387</u>
<b>Noncurrent Liabilities</b>			
Postemployment health benefits (Note 14)	117,563	205,669	323,232
Net pension liability (Note 7)	1,979,217	1,817,006	3,796,223
Long-term debt (Note 5)	<u>-0-</u>	<u>1,194,053</u>	<u>1,194,053</u>
<b>Total Noncurrent Liabilities</b>	<u>2,096,780</u>	<u>3,216,728</u>	<u>5,313,508</u>
<b>Total Liabilities</b>	<u>\$ 2,667,099</u>	<u>3,928,796</u>	<u>6,595,895</u>
<b>Deferred Inflows of Resources</b>			
Deferred inflows related to pensions (Note 7)	<u>\$ 375,452</u>	<u>201,837</u>	<u>577,289</u>
<b>Net Position</b>			
Net investment in capital assets	\$ 4,621,128	8,539,548	13,160,676
Restricted (Note 9)	232,379	866,195	1,098,574
Unrestricted (Deficit) (Note 10)	<u>(859,559)</u>	<u>2,655,847</u>	<u>1,796,288</u>
<b>Total Net Position</b>	<u>\$ 3,993,948</u>	<u>12,061,590</u>	<u>16,055,538</u>

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Statement of Activities and Changes in Net Position

For the Year Ended June 30, 2016

	Primary Government		Total
	Governmental Activities (Fire)	Business-Type Activities (Utility)	
Program Revenue			
Mutual aid	\$ 77,020	-0-	77,020
Service fees	-0-	2,964,930	2,964,930
Fire protection fee	28,080	-0-	28,080
Connection fee	-0-	121,434	121,434
Grants (Note 13)	-0-	235,045	235,045
Total Program Revenue	105,100	3,321,409	3,426,509
Expenses			
Salaries and wages	1,462,755	1,193,401	2,656,156
Employee benefits	775,480	599,564	1,375,044
Field operations			
Material & supplies	13,853	11,078	24,931
Uniforms	6,566	5,034	11,600
Chemicals & lab fees	-0-	16,573	16,573
Minor equipment	-0-	27	27
Utilities	45,962	55,910	101,872
Maintenance & repairs	50,204	59,113	109,317
Radio communications	2,634	-0-	2,634
Training & memberships	38,419	11,100	49,519
Fire prevention	3,055	-0-	3,055
Vehicle maintenance	23,959	28,323	52,282
Garbage contract	-0-	233,604	233,604
Total field operations	184,652	420,762	605,414

(Continued)

The accompanying notes are an integral part of these statements.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Statement of Activities and Changes in Net Position

For the Year Ended June 30, 2016

	Primary Government		Total
	Governmental Activities (Fire)	Business-Type Activities (Utility)	
Expenses (Continued)			
General & administrative			
Board expenses	\$ 8,928	28,489	37,417
Accounting & audit services	18,237	31,712	49,949
Consultants	-0-	302,528	302,528
Legal services	5,488	18,672	24,160
Insurance	21,023	34,005	55,028
License, permit & contracts	-0-	34,878	34,878
Office expense	10,994	49,322	60,316
Travel & meetings	3,262	11,424	14,686
Office utilities	-0-	51,649	51,649
Other	654	-0-	654
Total general & administrative	68,586	562,679	631,265
Other expenses			
Depreciation	220,796	817,445	1,038,241
Interest	6,595	62,546	69,141
Miscellaneous	-0-	700	700
Total other expenses	227,391	880,691	1,108,082
Total Expenses	2,718,864	3,657,097	6,375,961
Net Program Revenue (Expense)	(2,613,764)	(335,688)	(2,949,452)

(Continued)

The accompanying notes are an integral part of these statements.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Statement of Activities and Changes in Net Position

For the Year Ended June 30, 2016

	Primary Government		Total
	Governmental Activities (Fire)	Business-Type Activities (Utility)	
General Revenues			
Property tax (Note 8)	\$ 2,773,179	524,830	3,298,009
Administrative fees	-0-	28,036	28,036
Grants (Note 13)	5,180	-0-	5,180
Interest	13,122	73,611	86,733
Rental revenue (Note 16)	-0-	66,376	66,376
Other	51,229	41,242	92,471
Total General Revenues	<u>2,842,710</u>	<u>734,095</u>	<u>3,576,805</u>
Increase in Net Position	228,946	398,407	627,353
Net Position – Beginning of Year	<u>3,765,002</u>	<u>11,663,183</u>	<u>15,428,185</u>
Net Position – End of Year	<u>\$ 3,993,948</u>	<u>12,061,590</u>	<u>16,055,538</u>



Fund  
Financial  
Statements

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Fund Financial Statements

Balance Sheet

June 30, 2016

Assets

	<u>Primary Government</u>	
	<u>Governmental Fund (Fire)</u>	<u>Proprietary Fund (Utility)</u>
Current Assets		
Cash	\$ 92,492	829,140
Investments	<u>1,247,078</u>	<u>5,178,555</u>
Cash and cash equivalents	1,339,570	6,007,695
Receivables		
Service fees	14,566	54,237
Interest	1,166	5,420
Other	<u>-0-</u>	<u>49,256</u>
Total Receivables	15,732	108,913
Prepaid expenses and other assets	<u>15,563</u>	<u>11,576</u>
Total Current Assets	1,370,865	6,128,184
Noncurrent Assets		
Capital assets, at cost	-0-	25,304,909
Less accumulated depreciation	<u>-0-</u>	<u>(15,398,899)</u>
Net capital assets	-0-	9,906,010
Inter-activity balances	<u>226,494</u>	<u>(226,494)</u>
Total Noncurrent Assets	<u>226,494</u>	<u>9,679,516</u>
Total Assets	<u>\$ 1,597,359</u>	<u>15,807,700</u>
Deferred Outflows of Resources		
Deferred outflows related to pensions	<u>\$ -0-</u>	<u>384,523</u>
Total Deferred Outflows of Resources	<u>\$ -0-</u>	<u>384,523</u>

(Continued)

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Fund Financial Statements

Balance Sheet

June 30, 2016

Liabilities and Fund Balances

	<u>Primary Government</u>	
	<u>Governmental Fund (Fire)</u>	<u>Proprietary Fund (Utility)</u>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 9,076	41,689
Accrued liabilities	468,743	497,970
Current portion of long-term debt	<u>-0-</u>	<u>172,409</u>
<b>Total Current Liabilities</b>	477,819	712,068
<b>Noncurrent Liabilities</b>		
Postemployment health benefits	-0-	205,669
Net pension liability	-0-	1,817,006
Long-term debt	<u>-0-</u>	<u>1,194,053</u>
<b>Total Noncurrent Liabilities</b>	<u>-0-</u>	<u>3,216,728</u>
<b>Total Liabilities</b>	<u>\$ 477,819</u>	<u>3,928,796</u>
<b>Deferred Inflows of Resources</b>		
Deferred inflows related to pensions	<u>\$ -0-</u>	<u>201,837</u>
<b>Fund Balances</b>		
<b>Governmental Fund (Note 11)</b>		
Nonspendable	\$ 243,223	-0-
Restricted	232,379	-0-
Committed	497,868	-0-
Unassigned	146,070	-0-
<b>Proprietary Fund</b>		
Net investment in capital assets	-0-	8,539,548
Restricted	-0-	866,195
Unrestricted	<u>-0-</u>	<u>2,655,847</u>
<b>Total Fund Balances</b>	<u>\$ 1,119,540</u>	<u>12,061,590</u>

The accompanying notes are an integral part of these statements.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

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

June 30, 2016

Fund balance of governmental fund	\$	1,119,540
Amounts reported for governmental activities in the statement of net position are different because:		
Deferred outflows related to pensions are not financial resources and therefore are not reported in governmental funds		725,512
Capital Assets used in governmental activities are not financial resources and therefore are not reported in governmental funds:		
Land	\$	1,012,603
Buildings		4,905,022
Equipment		1,699,896
Master plan		1,137
Construction in progress		15,207
Less accumulation depreciation		<u>(2,920,237)</u>
Net Book Value		4,713,628
Postemployment health benefits are not due and payable in the current period and, therefore, are not reported in the governmental funds		(117,563)
Net pension liability is not due and payable in the current period and therefore are not reported in the funds		(1,979,217)
Long-term debt is not due and payable in the current period and therefore are not reported in the funds		(92,500)
Deferred inflows related to pensions are not financial resources and therefore are not reported in governmental funds		<u>(375,452)</u>
Net position of governmental activities	\$	<u><u>3,993,948</u></u>

SQUAW VALLEY PUBLIC SERVICE DISTRICT

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

For the Year Ended June 30, 2016

Program Revenue	
Mutual aid	\$ 77,020
Fire protection fee	<u>28,080</u>
Total Program Revenue	105,100
Expenditures	
Salaries and wages	1,462,755
Employee benefits	930,219
Field operations	
Material & supplies	13,853
Uniforms	6,566
Utilities	45,962
Maintenance & repairs	50,204
Radio communications	2,634
Training & memberships	38,419
Fire prevention	3,055
Vehicle maintenance	<u>23,959</u>
Total field operations	184,652
General & administrative	
Board expenses	8,928
Accounting & audit services	18,237
Legal services	5,488
Insurance	21,023
Office expense	10,994
Travel & meetings	3,262
Other	<u>654</u>
Total general & administrative	68,586

(Continued)

SQUAW VALLEY PUBLIC SERVICE DISTRICT

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

For the Year Ended June 30, 2016

Expenditures (Continued)

Other expenditures		
Capital outlay	\$	47,672
Debt service		90,000
Interest		<u>6,595</u>
Total other expenditures		<u>144,267</u>
Total Expenditures		<u>2,790,479</u>
Net Program Revenue (Expenditures)		(2,685,379)
General Revenues		
Property tax		2,773,179
Grants		5,180
Interest		13,122
Other		<u>51,229</u>
Total General Revenues		<u>2,842,710</u>
Increase (Decrease) in Fund Balance		157,331
Fund Balance – Beginning of Year		<u>962,209</u>
Fund Balance – End of Year	\$	<u><u>1,119,540</u></u>

SQUAW VALLEY PUBLIC SERVICE DISTRICT

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

For the Year Ended June 30, 2016

Increase (decrease) in fund balance – governmental fund	\$	157,331
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental fund reports capital outlay for capital assets as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:		
Expenditures for capital assets	\$	47,672
Less – current year depreciation expense		<u>(220,796)</u> (173,124)
Decreases in the accrual of postemployment health benefits is an expense in the Statement of Net Position but does not use current financial resources and therefore is not reflected in the government fund		12,937
Repayment of long-term debt is an expenditure in the government fund but the repayment reduced long-term liabilities in the Statement of Net Position		90,000
Changes in the net pension liabilities and the related deferred outflows and inflows is an expense in the Statement of Net Position but does not use current financial resources and therefore is not reflected in the government fund		<u>141,802</u>
Increase in net position of governmental activities	\$	<u><u>228,946</u></u>

SQUAW VALLEY PUBLIC SERVICE DISTRICT

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

For the Year Ended June 30, 2016

Program Revenue		
Service fees	\$	2,964,930
Connection fee		121,434
Grants		<u>235,045</u>
Total Program Revenue		3,321,409
Expenses		
Salaries and wages		1,193,401
Employee benefits		599,564
Field operations:		
Material & supplies		11,078
Uniforms		5,034
Chemicals & lab fees		16,573
Minor equipment repair		27
Utilities		55,910
Maintenance & repairs		59,113
Training & memberships		11,100
Vehicle maintenance		28,323
Garbage contract		<u>233,604</u>
Total field operations		420,762

(Continued)

The accompanying notes are an integral part of these statements.



SQUAW VALLEY PUBLIC SERVICE DISTRICT

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

For the Year Ended June 30, 2016

Expenses (Continued)

General & administrative		
Board expenses	\$	28,489
Accounting & audit services		31,712
Consultants		302,528
Legal services		18,672
Insurance		34,005
License, permit & contracts		34,878
Office expense		49,322
Travel & meetings		11,424
Office utilities		<u>51,649</u>
Total general & administrative		562,679
Other expenses		
Depreciation		817,445
Interest		62,546
Miscellaneous		<u>700</u>
Total other expenses		<u>880,691</u>
Total Expenses		<u>3,657,097</u>
Net Program Revenue (Expense)		(335,688)

(Continued)

The accompanying notes are an integral part of these statements.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

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

For the Year Ended June 30, 2016

General Revenues		
Property tax	\$	524,830
Administrative fees		28,036
Interest		73,611
Rental revenue		66,376
Other		<u>41,242</u>
Total General Revenues		<u>734,095</u>
Increase in Fund Balance		398,407
Fund Balance – Beginning of Year		<u>11,663,183</u>
Fund Balance – End of Year	\$	<u><u>12,061,590</u></u>

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Statement of Cash Flows

For the Year Ended June 30, 2016

	<u>Business-Type Activities (Utility)</u>
Cash Flows from Operating Activities:	
Cash receipts from customers	\$ 3,171,770
Cash payments to suppliers for goods and services	(1,544,144)
Cash payments to employees for services	(1,120,792)
Other receipts	299,708
Net Cash Provided By Operating Activities	<u>806,542</u>
Cash Flows From Noncapital Financing Activities:	
Receipt of property taxes	<u>524,830</u>
Net Cash Provided By Noncapital Financing Activities	524,830
Cash Flows From Capital and Related Financing Activities:	
Repayment of long-term debt	(167,334)
Interest paid on long-term debt	<u>(54,521)</u>
Net Cash Used By Capital and Related Financing Activities	(221,855)
Cash Flows From Investing Activities:	
Purchase of capital assets	(218,808)
Interest received on cash and investments	<u>71,224</u>
Net Cash Used By Investing Activities	<u>(147,584)</u>
Net Increase In Cash	961,933
Cash and Cash Equivalents – Beginning of Year	<u>5,045,762</u>
Cash and Cash Equivalents – End of Year	<u>\$ <u>6,007,695</u></u>

(Continued)

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Statement of Cash Flows

For the Year Ended June 30, 2016

	Business-Type Activities (Utility)
	<u>                    </u>
Reconciliation of Increase in Net Position to Net Cash Used by Operating Activities:	
Increase in net position	\$ 398,407
Adjustments to reconcile increase in net position to net cash used by operating activities:	
Depreciation	817,445
Amortization of debt costs	9,458
Non-operating revenue	(598,441)
Non-operating expenses	53,088
(Increase) decrease in:	
Receivables	13,828
Prepays	6,846
Construction in progress	54,995
Deferred outflows	(123,550)
Increase (decrease) in:	
Accounts payable	26,837
Accrued liabilities	59,372
Postemployment health benefits	(41,887)
Net pension liability	418,284
Deferred inflows	<u>(288,140)</u>
Total adjustments	<u>408,135</u>
Net Cash Provided By Operating Activities	<u>\$ 806,542</u>

Notes  
to the  
Financial  
Statements

# SQUAW VALLEY PUBLIC SERVICE DISTRICT

## Notes to the Financial Statements

For the Year Ended June 30, 2016

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

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

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

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

#### Basis of Accounting/Measurement Focus

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

#### Government-Wide Financial Statements

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

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

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

# SQUAW VALLEY PUBLIC SERVICE DISTRICT

## Notes to the Financial Statements

For the Year Ended June 30, 2016

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

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

The District applies all applicable GASB pronouncements as well as the following pronouncements to the business type activities, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinion, and Accounting Research Bulletins of the Committee on Accounting Procedure.

#### Governmental Fund

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

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

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

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

# SQUAW VALLEY PUBLIC SERVICE DISTRICT

## Notes to the Financial Statements

For the Year Ended June 30, 2016

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

#### Proprietary Fund

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

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

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

#### Budgets and Budgetary Accounting

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

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



SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2016

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

Designated Net Position

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

Revenue Recognition - Property Taxes

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

Capital Assets

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

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

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

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

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2016

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

Note Discount and Premium

Note discount and premium 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, 2016 at their current rate of pay.

Pensions

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

For this report, the following timeframes are used.

Valuation Date (VD)	June 30, 2014
Measurement Date (MD)	June 30, 2015
Measurement Period (MP)	July 31, 2014 to June 30, 2015

At June 30, 2016, the District had an undesignated unrestricted deficit of \$(2,185,322) (\$(1,583,921) for governmental activities and \$(601,411) for business-type activities). This deficit is primarily a result of implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27, of recording the pension liability on a full accrual basis of accounting instead of funding basis. The District expects that these deficits will be funded with future tax revenues.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2016

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

Estimates

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

Statement of Cash Flows

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

Subsequent Events

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

(2) CASH AND INVESTMENTS:

The District follows the practice of pooling cash and investments of all funds. Interest income earned on pooled cash and investments is allocated to the various funds based on quarter-end cash and investment balances of the respective fund. At June 30, 2016, the District's cash and investment balances included the following:

Pooled cash	\$ 921,632
Pooled investments	<u>6,425,633</u>
	<u>\$ 7,347,265</u>

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

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2016

(2) CASH AND INVESTMENTS: (Continued)

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

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

Investments of the District are summarized as follows:

	<u>Carrying Amount</u>	<u>Market Value</u>
State of California Local Agency Investment Fund	\$ 23,388	23,388
Placer County Pooled Investment Fund	<u>6,402,245</u>	<u>6,402,245</u>
Total	<u>\$ 6,425,633</u>	<u>6,425,633</u>

The District's investments with Local Agency Investment Fund (LAIF) at June 30, 2016 included a portion of the pooled funds invested in Structured Notes and Asset-Backed Securities. These investments included the following:

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

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

# SQUAW VALLEY PUBLIC SERVICE DISTRICT

## Notes to the Financial Statements

For the Year Ended June 30, 2016

### (2) CASH AND INVESTMENTS: (Continued)

#### Interest Rate Risk

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

#### Credit Risk

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

### (3) FAIR VALUE MEASUREMENTS:

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

The District has the following recurring fair value measurements as of June 30, 2016:

- a) State of California Local Agency Investment Fund of \$23,388 is valued using the underlying quoted market prices (Level 2 inputs)
- b) Placer County Pooled Investment Fund of \$6,402,245 is valued using the underlying quoted market prices (Level 2 inputs)

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2016

(4) CAPITAL ASSETS:

A summary of Governmental Activities capital assets is presented below:

	Balance June 30, 2015	Additions	Deletions	Transfers	Balance June 30, 2016
Fire Department:					
Land	\$ 1,012,603	-0-	-0-	-0-	1,012,603
Buildings	4,922,184	8,106	25,268	-0-	4,905,022
Equipment	1,728,466	24,359	52,929	-0-	1,699,896
Master plan	1,137	-0-	-0-	-0-	1,137
Construction in progress	-0-	15,207	-0-	-0-	15,207
Total Capital Assets	7,664,390	<u>47,672</u>	<u>78,197</u>	-0-	7,633,865
Accumulated Depreciation	<u>2,777,638</u>	<u>220,796</u>	<u>78,197</u>	-0-	<u>2,920,237</u>
Net Book Value	<u>\$ 4,886,752</u>				<u>4,713,628</u>

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

	Balance June 30, 2015	Additions	Deletions	Transfers	Balance June 30, 2016
Utility Department:					
Water system	\$ 10,791,282	44,055	20,504	28,193	10,843,026
Sewage system	5,734,006	22,954	30,230	28,203	5,754,933
Interceptors	1,183,280	-0-	-0-	-0-	1,183,280
Other	7,564,632	56,641	182,557	4,904	7,443,620
Construction in progress	116,295	80,050	54,995	(61,300)	80,050
Total Capital Assets	25,389,495	<u>203,700</u>	<u>288,286</u>	-0-	25,304,909
Accumulated Depreciation	<u>14,814,745</u>	<u>817,445</u>	<u>233,291</u>	-0-	<u>15,398,899</u>
Net Book Value	<u>\$ 10,574,750</u>				<u>9,906,010</u>

# SQUAW VALLEY PUBLIC SERVICE DISTRICT

## Notes to the Financial Statements

For the Year Ended June 30, 2016

### (5) LONG-TERM DEBT:

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

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

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2016

(5) LONG-TERM DEBT: (Continued)

A summary of the District's Governmental Activities long-term debt at June 30, 2016 is as follows:

	Balance June 30, 2015	Additions	Payments	Balance June 30, 2016
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>182,500</u>	<u>-0-</u>	<u>90,000</u>	<u>92,500</u>
Total Long-Term Debt	182,500	<u>-0-</u>	<u>90,000</u>	92,500
Less Current Installments of Long-Term Debt	<u>90,000</u>			<u>92,500</u>
Long-Term Debt Excluding Current Installments	\$ <u><u>92,500</u></u>			<u><u>-0-</u></u>



SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2016

(5) LONG-TERM DEBT: (Continued)

A summary of the District's Business-Type Activities long-term debt at June 30, 2016 is as follows:

	Balance June 30, 2015	<u>Additions</u>	<u>Payments</u>	Balance June 30, 2016
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	\$ 182,500	-0-	90,000	92,500
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.	1,351,296	-0-	77,334	1,273,962
Total Long-Term Debt	1,533,796	<u>-0-</u>	<u>167,334</u>	1,366,462
Less Current Installments of Long-Term Debt	<u>167,334</u>			<u>172,409</u>
Long-Term Debt Excluding Current Installments	\$ <u>1,366,462</u>			<u>1,194,053</u>

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2016

(5) LONG-TERM DEBT: (Continued)

The annual requirements to amortize District long-term debt as of June 30, 2016, is as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 264,909	\$ 49,447	\$ 314,356
2018	82,570	41,969	124,539
2019	85,320	38,926	124,246
2020	88,161	35,782	123,943
2021	91,097	32,533	123,630
2022 through 2026	503,058	110,011	613,069
2027 through 2029	343,847	19,511	363,358
	<u>\$ 1,458,962</u>	<u>\$ 328,179</u>	<u>\$ 1,787,141</u>

(6) DEFERRED COMPENSATION PLANS:

A 457 Deferred Compensation Plan has been established by the District with ITT Hartford. Employees may elect to defer compensation up to 100% of their salary or \$18,000 (\$24,000 if employee will have obtained age 50 by the end of the calendar year), whichever is less. Employees in their last three years before retirement may qualify to contribute additional amounts, but never more than \$36,000 per year. This Plan is fully funded with ITT Hartford.

In addition, the District has also established a 457 Deferred Compensation Plan with the California Public Employees' Retirement System. Employees may elect to defer compensation up to 100% of their salary or \$18,000 (\$24,000 if employee will have obtained age 50 by the end of the calendar year), whichever is less. Employees in their last three years before retirement may qualify to contribute additional amounts, but never greater than \$36,000 per year. This Plan is fully funded with the California Public Employees' Retirement System. The District is not responsible for the 457 Plan, accordingly these investments are not included in the accompanying financial statements.

# SQUAW VALLEY PUBLIC SERVICE DISTRICT

## Notes to the Financial Statements

For the Year Ended June 30, 2016

### (7) NET PENSION LIABILITY:

#### a) General Information about the Pension Plan

##### i) Plan Description

All employees of Squaw Valley Public Service District are provided with pensions through the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employee defined benefit pension plan administered by CalPERS. A menu of benefit provisions as well as other requirements are established by State statutes within the Public Employees' Retirement Law. Squaw Valley Public Service District selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issues a publicly available financial report that can be obtained at [www.calpers.ca.gov](http://www.calpers.ca.gov)

##### ii) Benefits Provided

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

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2016

(7) NET PENSION LIABILITY: (Continued)

a) General Information about the Pension Plan (Continued)

iii) Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. For the District, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. For the measurement period ended June 30, 2015 (the measurement date), the following is a summary of contribution rates:

	<u>Employee Contribution</u>	<u>Employer Contribution</u>	<u>Total Required Contribution</u>
Governmental Activity (Fire Department)			
First & Second Tier Plan	2.000%	34.849%	36.849%
Third Tier Plan	2.000	28.367	30.367
PEPRA Plan	2.000	21.000	22.000
Business-Type Activity (Utility Department)			
First & Second Tier Plan	2.000%	24.158%	26.158%
PEPRA Plan	2.000	11.700	13.700

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

At June 30, 2016, the District reported a liability of \$3,796,223 (\$1,979,217 for governmental activities and \$1,817,006 for business-type activities) for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2015, the District's proportion was 0.052339% for the governmental activities pool and 0.063891% for the business-type activities pool, which compares to 0.045323% the governmental activities pool and 0.056594% for the business-type activities pool at June 30, 2014.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2016

(7) NET PENSION LIABILITY: (Continued)

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

For the year ended June 30, 2016, the District recognized pension expense of \$593,299 (\$293,842 for governmental activities and \$299,457 for business-type activities). At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Governmental Activities</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -0-	47,344
Changes of assumptions	-0-	217,751
Net difference between projected and actual earnings on pension plan investments	-0-	110,357
Changes in proportion and differences between District contributions and proportionate share of contributions	396,135	-0-
District contributions subsequent to the measurement date	329,377	-0-
Total	<u>\$ 725,512</u>	<u>375,452</u>

	<u>Business-Type Activities</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 10,970	-0-
Changes of assumptions	-0-	103,792
Net difference between projected and actual earnings on pension plan investments	-0-	52,032
Changes in proportion and differences between District contributions and proportionate share of contributions	149,001	46,013
District contributions subsequent to the measurement date	224,552	-0-
Total	<u>\$ 384,523</u>	<u>201,837</u>

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2016

(7) NET PENSION LIABILITY: (Continued)

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

The amount \$553,929 (\$329,377 for governmental activities and \$224,552 for business-type activities) reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended	Governmental Activities	Business-Type Activities	Total
6/30/17	\$ (36,220)	(34,397)	(70,617)
6/30/18	(35,617)	(35,229)	(70,846)
6/30/19	(42,951)	(38,747)	(81,698)
6/30/20	135,471	66,507	201,979

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

For the measurement period ending June 30, 2015 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2014 total pension liability. Both the June 30, 2015 total pension liability and the June 30, 2014 total liability were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions	
Discount Rate	7.65% for 6/30/15, 7.50% for 6/30/14
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes inflation
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

# SQUAW VALLEY PUBLIC SERVICE DISTRICT

## Notes to the Financial Statements

For the Year Ended June 30, 2016

### (7) NET PENSION LIABILITY: (Continued)

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

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

#### d) Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

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

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

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2016

(7) NET PENSION LIABILITY: (Continued)

d) Discount Rate (Continued)

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

Asset Class	New Strategic Allocation	Real Return Years 1-10	Real Return Years 11+
Global Equity	51.0 %	5.25 %	5.71 %
Global Debt Securities	19.0	0.99	2.43
Inflation Assets	6.0	0.45	3.36
Private Equity	10.0	6.83	6.95
Real Estate	10.0	4.50	5.13
Infrastructure and Forestland	2.0	4.50	5.09
Liquidity	2.0	(0.55)	(1.05)

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

The following presents the net pension liability/(asset) of the District as of the measurement date, calculated using the discount rate of 7.65 percent, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65 percent) or 1 percentage-point higher (8.65 percent) than the current rate:

	Discount Rate – 1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate +1% (8.65%)
Governmental Activities	\$ 3,173,365	1,979,217	1,000,038
Business-Type Activities	3,047,246	1,817,006	801,300
Total	\$ 6,220,611	3,796,223	1,801,338

f) Pension Plan Fiduciary Net Position

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



SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2016

(7) NET PENSION LIABILITY: (Continued)

g) Payables to the Pension Plan

At June 30, 2016, the employer's contribution for the final payroll of the fiscal year had not been paid and was included in accounts payable in the following amounts:

Governmental Activities	\$	-0-
Business-Type Activities		14,112
	\$	<u>14,112</u>

(8) PROCEEDS OF TAX LIMITATION:

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

The proceeds of taxes limit for the fiscal year ended June 30, 2016 was \$5,621,783. The District's actual annual proceeds of taxes for the year ended June 30, 2016 was \$3,298,009, leaving a margin of \$2,323,774.

The proceeds of taxes limitation adopted by the District for the year ended June 30, 2017 is \$6,096,887.

(9) RESTRICTED NET POSITION:

Net position is subject to the following legal restrictions:

Governmental Activities:	
Fire – protection fees	\$ <u>232,379</u>
Total Restricted Net Position – Governmental Activities	\$ <u>232,379</u>
Business-Type Activities:	
Capital projects - water	\$ 710,823
Capital projects - sewer	8,036
Inflow and infiltration	<u>147,336</u>
Total Restricted Net Position – Business-Type Activities	\$ <u>866,195</u>

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2016

(10) UNRESTRICTED NET POSITION:

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

Governmental Activities:

Fixed asset replacement fund	\$ 497,868
Fixed asset replacement fund - building	226,494
Total Designated Net Position	<u>724,362</u>
Undesignated Net Position	<u>(1,583,921)</u>
Total Unrestricted Net Position – Governmental Activities	<u>\$ (859,559)</u>

Business-Type Activities:

Fixed asset replacement fund - water	\$ 311,394
Fixed asset replacement fund - sewer	2,783,238
Garbage	162,626
Total Designated Net Position	<u>3,257,258</u>
Undesignated Net Position	<u>(601,411)</u>
Total Unrestricted Net Position – Business-Type Activities	<u>\$ 2,655,847</u>

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

Nonspendable fund balance consists of interest receivable (\$1,166), prepaid expenses (\$15,563) and inter-activity balances (\$226,494).

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

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

(12) GARBAGE SERVICE:

Effective October 1, 1974, Ordinance No. 4 was passed by the Board of Directors of the Squaw Valley Public Service District providing for compulsory trash collection service for all District residents. The trash collections costs are paid by the service recipients. The District has contracted with a California corporation to provide the trash disposal services. An allocation of general and administrative expenses is made to garbage service cost, in addition to direct costs. Trash collection fees recognized in fiscal year ended June 30, 2016 were \$239,059 while expenses, both direct and allocated, totaled \$235,679.

# SQUAW VALLEY PUBLIC SERVICE DISTRICT

## Notes to the Financial Statements

For the Year Ended June 30, 2016

### (13) GRANTS:

In December 2013, the District entered into a grant agreement with California Department of Water Resources (DWR). Grant funds are to be used for the District's redundant water supply project. The grant provides that the DWR will pay up to \$225,000 of costs. As of June 30, 2016, the District had expended \$223,112 for the project. The District had received \$211,957 in reimbursements as of June 30, 2016, resulting in a receivable in the amount of \$11,155.

In May 2015, the District entered into a grant agreement with the South Tahoe Public Utility District (STPUD) regarding a pass through grant from the California Department of Water Resources. Grant funds are to be used for the District's Regional Water Use Efficiency Program. The grant provides that the STPUD will pay you up to \$25,246 of costs. As of June 30, 2016, the District had expended \$700 for the project. The District had received no reimbursements as of June 30, 2016, resulting in a receivable in the amount of \$700.

In May 2016, the District entered into a grant agreement with the Placer County Water Agency (PCWA). Grant funds are to be used for the District's 2016 Water Management Action Plan Update. The grant provides that the PCWA will pay up to \$15,661 of costs. As of June 30, 2016, the District had expended \$15,661 for the project. The District had received no reimbursements as of June 30, 2016, resulting in a receivable in the amount of \$15,661.

In May 2015, the District entered into a grant agreement with Placer County Water Agency (PCWA). Grant funds are to be used for the District's 2016 Water Master Plan. The grant provides that the PCWA will pay up to \$7,500 of costs. As of June 30, 2016, the District had expended \$7,500 for the project. The District had received \$7,500 in reimbursements as of June 30, 2016.

Since 2011, the District has received grant funds from local business and organizations to provide snow removal for 2.3 miles of bike trails within the Valley. The contributions are voluntary and are used solely to have a clear and safe path for visitors and residents to walk during the months of November – April. In fiscal year 2016 we received \$30,869 from the North Lake Tahoe Resort Association, \$18,000 from the Resort at Squaw Creek, \$10,500 from the Squaw Valley Business Association, \$8,030 from the Squaw Valley Resort, and \$1,500 from the Property Owners Association. Any funds received in excess of what was spent are put to a customer deposit account which will be used in future years if we have a higher than average snowfall year.

In June 2015, the District entered into a grant agreement with the State of California Department of Forestry and Fire Protection. Grant funds are to be used for District fire equipment purchases. The grant provides that the grantor will pay up to \$5,180 of costs. As of June 30, 2016, the District had expended more than the grant amount for the project. The District had received \$5,180 in reimbursements as of June 30, 2016.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2016

(14) POSTEMPLOYMENT HEALTH BENEFITS:

a) Plan Description

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

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

Benefit provisions are established and may be amended by District labor agreements, which are approved by the District Board of Directors. The plan does not issue a stand-alone financial report.

b) Funding Policy

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

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

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

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2016

(14) POSTEMPLOYMENT HEALTH BENEFITS: (Continued)

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

	Governmental Activities	Business- Type Activities
Annual required contributions	\$ (26,197)	(10,909)
Interest on net Postemployment Health Benefit obligation	8,301	12,505
Annual Postemployment Health Benefit cost (expense)	(17,896)	1,596
Contributions made	(2,888)	(4,347)
Increase (Decrease) in net Postemployment Health Benefit obligation	(20,784)	(2,751)
Net Postemployment Health Benefit obligation – beginning of year	138,347	208,420
Net Postemployment Health Benefit obligation – end of year	\$ 117,563	205,669

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2016

(14) POSTEMPLOYMENT HEALTH BENEFITS: (Continued)

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

The District's annual Postemployment Health Benefit cost, the percentage of annual Postemployment Health Benefit cost contributed to the plan, and the net Postemployment Health Benefit obligation for June 30, 2014, 2015, and 2016 were as follows:

<u>Fiscal Year Ended</u>	<u>Governmental Activities</u>		
	<u>Annual Postemployment Health Benefit Cost</u>	<u>Percentage of Annual Postemployment Health Benefit Cost Contributed</u>	<u>Net Postemployment Health Benefit Obligation</u>
6/30/2014	\$ (15,648)	(7.2)%	\$ 124,200
6/30/2015	15,264	7.3	138,347
6/30/2016	(17,896)	(16.1)	117,563

<u>Fiscal Year Ended</u>	<u>Business-Type Activities</u>		
	<u>Annual Postemployment Health Benefit Cost</u>	<u>Percentage of Annual Postemployment Health Benefit Cost Contributed</u>	<u>Net Postemployment Health Benefit Obligation</u>
6/30/2014	\$ 37,570	9.0%	\$ 225,056
6/30/2015	(13,246)	(25.6)	208,420
6/30/2016	1,596	272.4	205,669

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2016

(14) POSTEMPLOYMENT HEALTH BENEFITS: (Continued)

d) Funded Status and Funding Progress

The funded status of the plan as of June 30, 2016, was as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Actuarial accrued liability (AAL)	\$ 117,563	205,669
Actuarial value of plan assets	<u>-0-</u>	<u>-0-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 117,563</u>	<u>205,669</u>
Funded ratio (actuarial value of plan assets/AAL)	0%	0%
Covered payroll (active plan members)	\$ 1,409,624	\$ 1,159,919
UAAL as a percentage of covered payroll	8.3%	17.7%

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, 2016 actuarial valuation the projected unit credit method was used. The actuarial assumptions included a 6% investment rate of return (net of administrative expenses). Increases for annual healthcare cost trends and the inflation assumption were accounted for based on the negotiated future cost of the benefits. The actuarial value of plan assets was \$0.

# SQUAW VALLEY PUBLIC SERVICE DISTRICT

## Notes to the Financial Statements

For the Year Ended June 30, 2016

### (15) RISK MANAGEMENT:

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

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

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

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



SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2016

(16) RENTAL ACTIVITY:

The District rents idle facilities to outside parties. These facilities have an original cost of \$1,051,834, accumulated depreciation of \$983,210, and a net book value of \$68,624. Rental income of \$66,376 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	\$ 30,999
Maintenance and repairs	1,227
Insurance	870
Utilities	14,145
Depreciation	<u>26,135</u>
Total Expenses	<u>\$ 73,376</u>

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

<u>Year Ending June 30</u>	<u>Amount</u>
2017	\$ 16,743
2018	<u>10,776</u>
	<u>\$ 27,519</u>

(17) INTER-ACTIVITY BALANCES:

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

Required  
Supplementary  
Information

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, 2016

	Original and Final Budget	Actual	Budget Variance (Over) Under
Program Revenue			
Mutual aid	\$ -0-	77,020	(77,020)
Fire protection fee	12,000	28,080	(16,080)
Total Program Revenue	12,000	105,100	(93,100)
Expenditures			
Salaries and wages	1,427,870	1,462,755	(34,885)
Employee benefits	899,344	930,219	(30,875)
Field operations			
Material & supplies	9,900	13,853	(3,953)
Uniforms	7,200	6,566	634
Utilities	46,896	45,962	934
Maintenance & repairs	64,087	50,204	13,883
Radio communications	2,400	2,634	(234)
Training & memberships	37,482	38,419	(937)
Fire prevention	1,200	3,055	(1,855)
Vehicle maintenance	34,920	23,959	10,961
Total field operations	204,085	184,652	19,433
General & administrative			
Board expenses	12,584	8,928	3,656
Accounting & audit services	12,860	18,237	(5,377)
Legal services	-0-	5,488	(5,488)
Insurance	22,153	21,023	1,130
Office expense	5,286	10,994	(5,708)
Travel & meetings	600	3,262	(2,662)
Other	26,082	654	25,428
Total general & administrative	79,565	68,586	10,979

(Continued)

SQUAW VALLEY PUBLIC SERVICE DISTRICT

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

For the Year Ended June 30, 2016

	Original and Final Budget	Actual	Budget Variance (Over) Under
Expenditures (Continued)			
Other expenditures			
Capital outlay	\$ 757,720	47,672	710,048
Debt service	90,000	90,000	-0-
Interest	6,756	6,595	161
	<u>854,476</u>	<u>144,267</u>	<u>710,209</u>
Total other expenditures			
	<u>854,476</u>	<u>144,267</u>	<u>710,209</u>
Total Expenditures	<u>3,465,340</u>	<u>2,790,479</u>	<u>674,861</u>
Net Program Revenue (Expenditures)	(3,453,340)	(2,685,379)	(767,961)
General Revenues			
Property tax	2,872,944	2,773,179	99,765
Grants	-0-	5,180	(5,180)
Interest	11,499	13,122	(1,623)
Other	1,200	51,229	(50,029)
	<u>2,885,643</u>	<u>2,842,710</u>	<u>42,933</u>
Total General Revenues			
	<u>2,885,643</u>	<u>2,842,710</u>	<u>42,933</u>
Increase (Decrease) in Fund Balance	\$ <u>(567,697)</u>	157,331	<u>(725,028)</u>
Fund Balance – Beginning of Year		<u>962,209</u>	
Fund Balance – End of Year		<u>\$ 1,119,540</u>	

SQUAW VALLEY PUBLIC SERVICE DISTRICT

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

For the Year Ended June 30, 2016

	Original and Final Budget	Actual	Budget Variance (Over) Under
Program Revenue			
Service fees	\$ 2,893,601	2,964,930	(71,329)
Connection fee	52,000	121,434	(69,434)
Grants	84,388	235,045	(150,657)
	<hr/>	<hr/>	<hr/>
Total Program Revenue	3,029,989	3,321,409	(291,420)
Expenses			
Salaries and wages	1,097,188	1,193,401	(96,213)
Employee benefits	682,513	599,564	82,949
Field operations:			
Material & supplies	9,000	11,078	(2,078)
Uniforms	3,700	5,034	(1,334)
Chemicals & lab fees	22,860	16,573	6,287
Minor equipment repair	-0-	27	(27)
Utilities	57,106	55,910	1,196
Maintenance & repairs	144,482	59,113	85,369
Training & memberships	18,763	11,100	7,663
Vehicle maintenance	34,360	28,323	6,037
Garbage contract	232,878	233,604	(726)
	<hr/>	<hr/>	<hr/>
Total field operations	523,149	420,762	102,387

(Continued)

SQUAW VALLEY PUBLIC SERVICE DISTRICT

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

For the Year Ended June 30, 2016

Expenses (Continued)	Original and Final Budget	Actual	Budget Variance (Over) Under
General & administrative			
Board expenses	\$ 25,226	28,489	(3,263)
Accounting & audit services	22,157	31,712	(9,555)
Consultants	3,600	302,528	(298,928)
Legal services	15,948	18,672	(2,724)
Insurance	35,687	34,005	1,682
License, permit & contracts	19,366	34,878	(15,512)
Office expense	24,126	49,322	(25,196)
Travel & meetings	13,537	11,424	2,113
Office utilities	44,468	51,649	(7,181)
Total general & administrative	204,115	562,679	(358,564)
Other expenses			
Depreciation	814,231	817,445	(3,214)
Interest	54,229	62,546	(8,317)
Miscellaneous	-0-	700	(700)
Total other expenses	868,460	880,691	(12,231)
Total Expenses	3,375,425	3,657,097	(281,672)
Net Program Revenue (Expense)	(345,436)	(335,688)	(9,748)

(Continued)

SQUAW VALLEY PUBLIC SERVICE DISTRICT

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

For the Year Ended June 30, 2016

	Original and Final Budget	Actual	Budget Variance (Over) Under
General Revenues			
Property tax	\$ 169,570	524,830	(355,260)
Administrative fees	10,239	28,036	(17,797)
Interest	34,497	73,611	(39,114)
Rental revenue	82,998	66,376	16,622
Other	-0-	41,242	(41,242)
	<u>297,304</u>	<u>734,095</u>	<u>(436,791)</u>
 Total General Revenues			
	<u>297,304</u>	<u>734,095</u>	<u>(436,791)</u>
 Increase (Decrease) in Fund Balance	 \$ <u>(48,132)</u>	 398,407	 <u>(446,539)</u>
 Fund Balance – Beginning of Year		 <u>11,663,183</u>	
 Fund Balance – End of Year		 \$ <u><u>12,061,590</u></u>	

SQUAW VALLEY PUBLIC SERVICE DISTRICT

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

Governmental Activities

	<u>6/30/16</u>	<u>6/30/15</u>
District's proportion of the net pension liability (asset)	0.052339 %	0.045323 %
District's proportionate share of the net pension liability (asset)	\$ 1,979,217	1,398,722
District's covered-employee payroll	\$ 1,388,693	1,267,582
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	142.52 %	110.35 %
Plan fiduciary net position as a percentage of the total pension liability	79.14 %	81.42 %

Business-Type Activities

	<u>6/30/16</u>	<u>6/30/15</u>
District's proportion of the net pension liability (asset)	0.063891 %	0.056594 %
District's proportionate share of the net pension liability (asset)	\$ 1,817,006	1,700,068
District's covered-employee payroll	\$ 1,047,508	998,317
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	173.46 %	170.29 %
Plan fiduciary net position as a percentage of the total pension liability	79.15 %	83.03 %

Notes to Schedule:

Methods and assumptions used to determine contribution rates:

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

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



SQUAW VALLEY PUBLIC SERVICE DISTRICT

Schedule of District Contributions  
Last 10 Years\*

Governmental Activities

	<u>6/30/16</u>	<u>6/30/15</u>
Contractually required contribution	\$ 329,377	301,932
Contributions in relation to the contractually required contribution	<u>(329,377)</u>	<u>(301,932)</u>
Contribution deficiency (excess)	<u>\$ -0-</u>	<u>-0-</u>
District's covered-employee payroll	\$ 1,388,693	1,267,582
Contributions as a percentage of covered-employee payroll	23.72%	23.82%

Business-Type Activities

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

Notes to Schedule:

Methods and assumptions used to determine contribution rates:

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

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

# Supplementary Information

SQUAW VALLEY PUBLIC SERVICE DISTRICT

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

For the Year Ended June 30, 2016

	Water Department	Sewer Department	Garbage Contract	Other	Total Business-Type Activities (Utility)
Program Revenue					
Service fees	\$ 1,476,065	1,152,270	239,059	97,536	2,964,930
Connection fee	104,869	16,565	-0-	-0-	121,434
Grants	192,430	-0-	-0-	42,615	235,045
<b>Total Program Revenue</b>	<b>1,773,364</b>	<b>1,168,835</b>	<b>239,059</b>	<b>140,151</b>	<b>3,321,409</b>
Expenses					
Salaries and wages	709,904	440,847	1,670	40,980	1,193,401
Employee benefits	333,213	240,845	405	25,101	599,564
Field operations					
Material & supplies	7,065	4,013	-0-	-0-	11,078
Uniforms	2,517	2,517	-0-	-0-	5,034
Chemicals & lab fees	16,573	-0-	-0-	-0-	16,573
Minor equipment repair	14	13	-0-	-0-	27
Utilities	48,174	7,736	-0-	-0-	55,910
Maintenance & repairs	27,831	14,104	-0-	17,178	59,113
Training & memberships	4,807	6,293	-0-	-0-	11,100
Vehicle maintenance	14,162	14,161	-0-	-0-	28,323
Garbage contract	-0-	-0-	233,604	-0-	233,604
<b>Total field operations</b>	<b>121,143</b>	<b>48,837</b>	<b>233,604</b>	<b>17,178</b>	<b>420,762</b>

(Continued)

SQUAW VALLEY PUBLIC SERVICE DISTRICT

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

For the Year Ended June 30, 2016

Expenses (Continued)	<u>Water Department</u>	<u>Sewer Department</u>	<u>Garbage Contract</u>	<u>Other</u>	<u>Total Business-Type Activities (Utility)</u>
General & administrative					
Board expenses	\$ 18,518	9,971	-0-	-0-	28,489
Accounting & audit services	20,613	11,099	-0-	-0-	31,712
Consultants	187,774	114,754	-0-	-0-	302,528
Legal services	12,137	6,535	-0-	-0-	18,672
Insurance	21,973	12,032	-0-	-0-	34,005
License, permit & contracts	22,671	12,207	-0-	-0-	34,878
Office expense	32,059	17,263	-0-	-0-	49,322
Travel & meetings	7,426	3,998	-0-	-0-	11,424
Office utilities	<u>33,234</u>	<u>18,415</u>	<u>-0-</u>	<u>-0-</u>	<u>51,649</u>
Total general & administrative	356,405	206,274	-0-	-0-	562,679
Other expenses					
Depreciation	488,846	328,599	-0-	-0-	817,445
Interest	40,655	21,891	-0-	-0-	62,546
Miscellaneous	<u>455</u>	<u>245</u>	<u>-0-</u>	<u>-0-</u>	<u>700</u>
Total other expenses	<u>529,956</u>	<u>350,735</u>	<u>-0-</u>	<u>-0-</u>	<u>880,691</u>
Total Expenses	<u>2,050,621</u>	<u>1,287,538</u>	<u>235,679</u>	<u>83,259</u>	<u>3,657,097</u>
Net Program Revenue (Expense)	(277,257)	(118,703)	3,380	56,892	(335,688)

(Continued)

SQUAW VALLEY PUBLIC SERVICE DISTRICT

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

For the Year Ended June 30, 2016

	<u>Water Department</u>	<u>Sewer Department</u>	<u>Garbage Contract</u>	<u>Other</u>	<u>Total Business-Type Activities (Utility)</u>
General Revenues					
Property tax	\$ 524,830	-0-	-0-	-0-	524,830
Administrative fees	1,633	879	-0-	25,524	28,036
Interest	21,074	49,855	2,682	-0-	73,611
Rental revenue	33,188	33,188	-0-	-0-	66,376
Other	<u>26,807</u>	<u>14,435</u>	<u>-0-</u>	<u>-0-</u>	<u>41,242</u>
Total General Revenues	<u>607,532</u>	<u>98,357</u>	<u>2,682</u>	<u>25,524</u>	<u>734,095</u>
Increase (Decrease) in Net Position	<u>\$ 330,275</u>	<u>(20,346)</u>	<u>6,062</u>	<u>82,416</u>	<u>398,407</u>

# **SQUAW VALLEY PUBLIC SERVICE DISTRICT**

OLYMPIC VALLEY, CALIFORNIA

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

June 30, 2016

# McCLINTOCK ACCOUNTANCY CORPORATION

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To the Board of Directors  
Squaw Valley Public Service District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Squaw Valley Public Service District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 21, 2016.

## **Internal Control over Financial Reporting**

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

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

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

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

*McClintock Accountancy Corporation*

McCLINTOCK ACCOUNTANCY CORPORATION  
Tahoe City, California  
November 21, 2016