

SQUAW VALLEY PUBLIC SERVICE DISTRICT

REPORT TO THE BOARD OF DIRECTORS

June 30, 2018

1. This is our report on the SVPSD 6/30/18 Financial Statements and our audit report.
2. The Board of Directors engaged our firm to audit the Financial Statements of the District. Our opinion on the Financial Statement is unmodified, or a “clean” opinion. The audit report is ours; the Financial Statements are representations of management.

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

3. Questions and answers regarding the financial statements.
4. Matters to be Communicated
 - Auditor Responsibility – An audit conducted under generally accepted auditing standards is designed to obtain reasonable, rather than absolute, assurance about the financial statements.
 - Accounting Policies/Accounting Estimates – Significant accounting policies are detailed in Note 1 of the financial statements. Significant estimates, as detailed in the financial statements, include depreciation expense, and retirement related accruals.
 - Significant adjustments/Passed adjustments – There was one audit adjustment proposed and provided to management compared to three in prior year. The proposed adjustment related to a reclassification of deferred revenue. Six adjustments relating to the final capital reserve allocations were proposed by management.
 - Disagreements with management – None.
 - Difficulties encountered in performing the audit – None
5. Other Matters Noted – see attached.
6. We would like to thank management and staff for their fine cooperation during the audit.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

OTHER MATTERS NOTED

June 30, 2018

Current Year Matters

1. New Accounting Pronouncements

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

Government Accounting Standards Board Statement No. 87

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

Government Accounting Standards Board Statement No. 88

In April 2018, GASB issued Statement No. 88, Certain Disclosures Related To Debt, Including Direct Borrowings and Direct Placements. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. Application of this statement is effective the District's fiscal year ending June 30, 2019.

2. Authorized Signers

During our audit, we became aware that the Fire Petty Cash account has the previous Fire Chief as an authorized signer. We recommend the District update this account to current authorized signers.

Prior Year Matters

3. Property and Equipment

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

2017 Update: The district has purchased a fixed asset software. All assets are now tracked within the software.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

OLYMPIC VALLEY, CALIFORNIA

BASIC FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITORS' REPORT

For the Year Ended

June 30, 2018

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, 2018**

The management of the Squaw Valley Public Service District offers this narrative overview of the financial activities of the District for the fiscal year ending June 30, 2018. 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 \$354,000. This is a decrease from FY2017 when current assets exceeded total liabilities by \$429,000. This is primarily due to an increase in Net Pension Liability (note 7) and an increase in Other Post-Employment Benefits (note 14). This is offset by an increase in cash and investments, prepaid expenses, as well as decreasing our debt from the building loan (note 5).
- ✓ Net pension liability was recorded at \$5,728,000 (\$3,031,000 for Fire and \$2,697,000 for Utility). This is an increase of \$829,000 from the prior year.
- ✓ This is the first year of GASB 75 implementation (note 14). The post-employment health benefits were recorded at \$616,000 (\$279,000 for Fire and \$337,000 for Utility). This cumulative effect adjustment was made to the net position and no prior years of financial statements were restated.
- ✓ Total net position increased by \$543,000 this year. We saw an increase to program revenues as well as general revenues. This was offset by an increase to salaries and benefits and a decrease to general and administrative expenses.
- ✓ Of the total net position, \$751,000 is restricted and must be used only for specific purposes, \$5,071,000 is unrestricted and available for replacement of fixed assets, however; \$2,370,000 of the \$5,071,000 is dedicated to future obligations (note 10).
- ✓ From fiscal year 2017, water rates increased by 4% and sewer increased by 5%.
- ✓ Property tax revenues increased by \$94,000 from 2016-17, or about 2.8%

Major projects this year included:

- Continued design for the Truckee River Siphon replacement which is one of the largest sewer projects in the District's history.
- Digging a new well in the West end of the Valley on the PlumpJack property.
- Staff continued work with developers to plan for proposed real estate development projects.
- The District continued to receive funding to provide snow removal services on the Squaw Valley Bike Path. We contracted solely with Placer County, as such; we refunded approximately \$70,000 in reserves to previous in-valley contributors.
- The Utility Department replaced a backhoe used for water and sewer line repairs and for snow removal.
- This was the fourth year of providing Operations & Maintenance to the Mutual Water Company. Revenue generated from services amounted to \$98,000.
- The construction of a new Type 3 Engine was completed and put in service.
- The Fire Department replaced two thermal imaging cameras that were outdated.
- The Fire Department received a grant to replace 13 radios as well as vehicle chargers and base stations.

**SQUAW VALLEY PUBLIC SERVICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING JUNE 30, 2018**

Overview of the Financial Statements

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

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

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

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

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

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, 2018**

FUND FINANCIAL STATEMENTS

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

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

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

FINANCIAL ANALYSIS OF THE DISTRICT

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

Statement of Activities and Change in Net Position (in thousands)								
	Governmental		Business-Type		Total		Dollar	Percent
	Activities		Activities					
		(Fire)		(Utility)	2017	2018	Change	Change
	2017	2018	2017	2018	2017	2018		
Program & Grant Revenue	\$ 55	93	3,239	3,603	3,294	3,696	\$ 402	12%
General Revenues								
Property Tax	3,158	3,367	184	69	3,342	3,436	94	3%
Administrative Fees	-	-	17	18	17	18	1	6%
General Grants	0.1	-	-	-	0.1	-	(0.1)	-100%
Interest	13	12	91	117	104	129	25	24%
Rental Revenue	18	26	36	54	54	80	26	48%
Other	82	74	19	11	101	85	(16)	-16%
Total Revenues	\$ 3,325	3,572	3,586	3,872	6,911	7,444	\$ 532	8%
Expenses	\$ 3,229	3,498	3,294	3,403	6,523	6,901	\$ 378	6%
Increase (Decrease) in Net Position	\$ 96	74	292	469	388	543	--	--

Total change in Net Position increased by \$543,000. Program and Grant revenue received for the year amounted to \$3,696,000. This is an increase from the prior year primarily due to an increase in service fees of \$320,000, connection fees of \$46,000, and strike team revenue of \$32,000.

General Revenues increased by \$130,000 mostly due to property taxes increasing by \$94,000, interest increasing by \$25,000, and rental revenue increasing by \$26,000.

**SQUAW VALLEY PUBLIC SERVICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING JUNE 30, 2018**

Total revenues have increased by \$532,000, or 8%, and expenses have increased \$378,000, or 6%. There was a \$162,000, or 6% increase in salaries. This was mostly due to cost of living adjustments as well as increasing the Admin and Operations salaries to offset the increase in employee contributions to CalPERS for pension costs. There was a \$386,000, or 26%, increase in benefits, mostly due to the PERS pension expense per GASB 68 valuation reports increasing by \$364,000 from the prior year. This was offset by a reduction of general and administrative fees of \$130,000 due to fewer studies performed as well as not paying a third party to produce the financial statements.

Changes in Net Assets (In Thousands)								
	Governmental		Business-Type		Total		Dollar	Percent
	Activities		Activities					
	(Fire)	(Utility)	(Fire)	(Utility)	2017	2018	Change	Change
	2017	2018	2017	2018	2017	2018	Change	Change
Current and other Assets	\$ 942	1,118	6,947	7,579	7,889	8,697	\$ 808	10%
Non-Current Assets	5,406	5,444	9,035	8,991	14,441	14,435	(6)	0%
Total Assets	\$ 6,348	6,562	15,982	16,570	22,330	23,132	\$ 802	4%
Deferred Outflows	\$ 1,148	1,304	744	913	1,892	2,217	\$ 325	17%
Current Liabilities	\$ 485	431	609	542	1,094	973	\$ (121)	-11%
Non-Current Liabilities	2,718	3,310	3,649	4,061	6,366	7,371	1,005	16%
Total Liabilities	\$ 3,203	3,741	4,258	4,603	7,460	8,344	\$ 884	12%
Deferred Inflows	203	80	115	151	318	231	(87)	-27%
Net Position:								
Net Inv in Capital Assets	\$ 5,179	5,218	8,067	8,106	13,246	13,324	\$ 78	1%
Restricted	237	2	940	748	1,177	750	(427)	-36%
Unrestricted	(1,326)	(1,174)	3,346	3,875	2,020	2,701	681	34%
Total Net Position	\$ 4,090	4,046	12,353	12,729	16,443	16,775	\$ 332	2%

Total Current Assets have increased \$808,000, or 10% from the prior year. Cash and Cash Equivalents have increased \$766,000 due to increased fees, increased ad valorem tax revenues, strike teams and delayed spending on capital projects. The District retains mostly liquid funds in pooled conservative investment accounts with Placer County Investment Funds, Placer County Revenue Funds, Certificates of Deposit or the Local Agency Investment Funds. These funds are transferred into the daily operating accounts only when needed, in order to allow the maximum generation of interest income.

Accounts Receivable has increased by \$34,000, or 40%. This was mostly due to strike team reimbursements from CalOES that we were still owed. Delinquent service fees in the amount of \$26,900

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FOR THE YEAR ENDING JUNE 30, 2018**

were submitted to Placer County for collection on the 2018-2019 property tax rolls, which is a 5% decrease from the prior year. These delinquencies total less than 1% of the total billed revenue.

Net non-current assets (capital assets) totaled \$14,435,000 which is line with the previous year, mostly as a result of depreciation offsetting investments into capital assets. As the District's infrastructure ages, it is not prudent to repair or replace assets that have a low probability of failure or have a very low consequence of failure. However, contributions into Capital Replacement accounts should continue and even accelerate to offset the rate of depreciation and to provide adequate reserves for the eventual replacement of assets.

Current Liabilities have decreased \$122,000 from the prior year, mostly due to refunding in-valley contributors for the bike trail in the amount of \$70,000. The only long term debt remaining is for the building at 305 Squaw Valley Road.

Net Noncurrent Liabilities have increased by \$1,005,000. The Net Pension Liability increased \$829,000. Under GASB 68 standards, each participating cost-sharing employer is required to report its actuarially determined proportionate share of the collective net pension liability, pension expense, and deferred inflows/outflows of resources in their financial statements. Previous to GASB 68, the District was only required to report the actual payments submitted to the pension plan as an expense, and no liability or deferred inflows/outflows. For more information on the District's pension plan, see Note 7 of the Financial Statements. Postemployment Health Benefits also increased by \$262,000. This is due to the implementation of GASB 75. This is an actuarially determined number based on any eligible employee who may receive post employment health insurance through the District's plan. Lastly, the District continues to pay-off its long-term debt obligation for its administration and fire headquarters (maturing in 2028), a reduction of \$85,000 from the prior fiscal year.

During the fiscal year, the Enterprise portion of the District had a cash surplus of \$636,000, which was 20% less than the prior year's cash surplus of \$793,000. This decrease is associated with a \$115,000 decrease in ad valorem revenue allocated to the Utility Department. There was also a \$607,000 increase in the purchase of capital assets. This is offset by an increase of \$276,000 in cash received from customers and a \$228,000 decrease in payments made to suppliers for goods and services.

The District continues to maintain a healthy Current Ratio of 8.94:1 (Current Assets against Current Liabilities), which has increased from the prior year of 7.21:1. This change is a result of increased fees and increased ad valorem tax as well as paying back the in-valley contributors for snow removal, as noted above. Total Cash & Cash Equivalents against Total Liabilities is 1.00:1, a decrease from 1.05:1 in the prior year. The District's cash and liquidity position still remains strong, and is poised to address any immediate catastrophic repair and/or replacement of key assets and infrastructure.

Even though the District's cash position remains strong, reserves should continue to be allocated into fixed asset replacement funds for anticipated replacement and/or repair of the District's aging infrastructure. In the current year we increased our reserve and capital accounts by \$305,000. The Utility Funds increased by \$430,000 while the Fire Department funds decreased by \$125,000, primarily due to the budgeted purchase of a Type 3 Engine. It is the goal of the District to grow our reserve accounts to fully fund capital projects and acquisitions in our 100-year asset replacement plan as well as mitigate potential adverse exposure to the sustainability of the District's infrastructure. The District recently

**SQUAW VALLEY PUBLIC SERVICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING JUNE 30, 2018**

completed a 100 year asset replacement plan and we anticipate future budgets to include additional funding for these projects without resorting to unnecessary special assessments or material rate increases.

The District maintains separate Fund accounts for our capital projects that are summarized on the next page. Notable purchases from the Fund balances for the year are as follows. There was a \$195,000 decrease to the Water Capital Fund due to drilling a new well on the PlumpJack property. The Sewer Capital account remains at \$0 due to the Truckee River Siphon Replacement Project. We transferred \$46,000 from the Sewer FARF to the Sewer Capital account to pay for its portion of the Siphon. There was a \$187,000 increase to the Water Fixed Asset Replacement Fund. Projects that came out of the Water FARF included a backhoe purchase, repairs to the S-Turn water main, main well ATS replacement, and improvements to fire hydrants. There was an increase of \$420,000 to the Sewer Fixed Assets Replacement Fund. Projects that came from the Sewer FARF included a backhoe purchase, the siphon, as well as manhole inspections. Next, there was a \$235,000 decrease to the Fire Capital fund due to a \$368,000 expenditure for the Type 3 Engine. This partially had to be funded through the Fire FARF. Lastly, the Fire FARF showed an increase of \$109,000. Between connection fees, excess operating funds and taxes, and interest earned, we contributed \$1,418,000 to our fund accounts (before capital purchases). As our Fixed Asset Replacement needs are determined, we will adjust reserves to be allocated to each fund.

**SQUAW VALLEY PUBLIC SERVICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING JUNE 30, 2018**

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

(in thousands)	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Water Capital					
Beginning Balance	441	526	541	711	786
Increases	100	15	170	75	93
Decreases	(15)	(0)	-	-	(288)
Ending Balance	526	541	711	786	591
Sewer Capital					
Beginning Balance	7	-	-	8	-
Increases	6	3	8	5	40
Transfer from Sewer FARF	15	11	-	15	46
Decreases	(28)	(14)	-	(28)	(86)
Ending Balance	-	-	8	-	-
Inflow & Infiltration Capital					
Beginning Balance	241	199	159	147	155
Increases	10	5	11	7	3
Decreases	(51)	(45)	(23)	-	-
Ending Balance	199	159	147	155	158
Garbage Capital					
Beginning Balance	195	184	178	163	172
Increases	3	5	6	11	14
Decreases	(13)	(11)	(22)	(1)	-
Ending Balance	184	178	163	172	186
Water Capital Assets					
Beginning Balance	254	169	46	311	622
Increases	78	65	366	372	321
Decreases	(163)	(188)	(101)	(62)	(134)
Ending Balance	169	46	311	622	809
Sewer Capital Assets					
Beginning Balance	2,576	2,640	2,665	2,783	3,154
Increases	241	213	176	439	637
Transfer to Sewer Capital	(28)	(11)	-	(15)	(46)
Decreases	(149)	(177)	(58)	(54)	(171)
Ending Balance	2,640	2,665	2,783	3,154	3,574
Fire Protection Funds					
Beginning Balance	151	173	201	232	237
Increases	22	28	31	13	18
Transfer from Fire FARF	-	-	-	-	115
Decreases	-	-	-	(9)	(368)
Ending Balance	173	201	232	237	2
Fire Capital Assets					
Beginning Balance	387	446	511	724	393
Increases	100	106	240	191	292
Transfer to Fire Capital	-	-	-	-	(115)
Decreases	(41)	(41)	(27)	(522)	(68)
Ending Balance	446	511	724	393	502

**SQUAW VALLEY PUBLIC SERVICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Economic Factors and Financial Outlook for FY 2018-19

Home purchases in the Valley have remained consistent, however, the median and average price increased for single family residences. This directly impacts the District's balance sheet through ad valorem tax revenues as we saw in 2017-18. The state unemployment rate has decreased (4.1% in September 2018), however, rising mortgage interest rates and uncertainty with the financial market leave some unknowns for the economic outlook for the District.

Total assessed property values within District boundaries increased \$42 million to \$1.355 billion in 2018-2019. The District's resulting estimated net ad valorem tax revenue is expected to be \$3,528,000. This is a \$92,000, or 2.7% increase from the \$3,436,000 net received in 2017-18.

The District continues to monitor and adjust the 100-year Capital Replacement Plan as needed. Many capital projects are anticipated for the 2018-2019 fiscal year which includes the Truckee River Siphon Replacement Project, a new well house on the PlumpJack property, improvements to the Zone 3 booster pump station, a new phone system, CCTV project, purchase new ALS monitors, and rescue air bags and struts. Total capital projects are budgeted at \$2,350,000.

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 savings will be reflected this year as one long term employee is retiring at the end of 2018. A new hire will replace the retiree and they are a PEPRA employee.

In July of 2018 the District paid off an additional \$835,000 to CalPERS (\$460,000 for the Utility Department and \$375,000 for the Fire Department). This payment was on top of our annual minimum required contribution and was made to reduce our liability, which is charged at a 7% annual interest rate. This payment goes toward reducing our unfunded accrued liability for pensions, which as of June grew to \$5,728,000. Each year the District will assess any excess funds we can allocate to keep reducing our liability.

The District plans to continue annual payment of its long-term debt associated with the construction of our Administrative Facility and Firehouse. The District expects to continue funding its Fixed Asset Replacement Funds in alignment with the results from the Cost of Service and Rate Study, which helps preclude the need for debt financing and benefit assessments in the future.

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

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

This section of the MD&A was prepared on October 21st, 2018.

**SQUAW VALLEY PUBLIC SERVICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING JUNE 30, 2018**

Request for Information

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

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Squaw Valley Public Service District

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Squaw Valley Public Service District, as of and for the year ended June 30, 2018, 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, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 14 to the Financial Statements, the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The adoption of this statement required retrospective application of previously reported net position at July 1, 2017 as described in Note 18 to the basic financial statements. In addition, Net OPEB Liability is reported in the Statement of Net Position in the amount of \$616,532 as of June 30, 2017, the measurement date. This Net OPEB Liability is calculated by actuaries using estimates and actuarial techniques from an actuarial valuation as of June 30, 2017, the measurement date. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-11, the budgetary comparison schedules on pages 60-64, the Schedule of the District's Proportionate Share of the Net Pension Liability on page 65, the Schedule of District Contributions on page 66, and the schedule of Changes in the Total OPEB Liability and OPEB Liability and Related Ratios on page 67 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 5, 2018 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 5, 2018

Basic Financial Statements

Government-Wide Financial Statements

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Statement of Net Position

June 30, 2018

	Assets		
	Primary Government		Total
	Governmental Activities (Fire)	Business-Type Activities (Utility)	
Current Assets			
Cash (Note 2)	\$ 55,985	478,139	534,124
Investments (Notes 2 and 3)	902,801	6,958,127	7,860,928
Cash and cash equivalents	958,786	7,436,266	8,395,052
Receivables			
Service Fees	43,988	57,207	101,195
Interest	1,104	9,939	11,043
Other	-	6,576	6,576
Total Receivables	45,092	73,722	118,814
Prepaid Expenses and other assets	114,543	69,504	184,047
Total Current Assets	1,118,421	7,579,492	8,697,913
Noncurrent Assets			
Capital Assets, at cost (Note 4)	8,139,312	25,718,753	33,858,065
Less accumulated depreciation (Note 4)	(2,921,432)	(16,501,515)	(19,422,947)
Net capital assets	5,217,880	9,217,238	14,435,118
Inter-activity balances (Note 17)	226,494	(226,494)	-
Total Noncurrent Assets	5,444,374	8,990,744	14,435,118
Total Assets	\$ 6,562,795	16,570,236	23,133,031
Deferred Outflows of Resources			
Deferred outflows related to pensions (Note 7)	1,300,432	903,146	2,203,578
Deferred outflows related to OPEB (Note 7)	3,860	9,551	13,411
Total Deferred Outflows of Resources	\$ 1,304,292	912,697	2,216,989

(Continued)

The accompanying notes are an integral part of these statements.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Statement of Net Position

June 30, 2018

Liabilities and Net Position

	Primary Government		Total
	Governmental Activities (Fire)	Business-Type Activities (Utility)	
Liabilities			
Current Liabilities			
Accounts payable	\$ 9,372	17,868	27,240
Accrued liabilities	421,431	418,462	839,893
Deferred Revenue	-	20,075	20,075
Current portion of long-term debt (Note 5)	-	85,320	85,320
Total Current Liabilities	<u>430,803</u>	<u>541,725</u>	<u>972,528</u>
Noncurrent Liabilities			
Total OPEB Liability (Note 14)	279,216	337,316	616,532
Net pension liability (Note 7)	3,031,127	2,697,379	5,728,506
Long-term debt (Note 5)	-	1,026,163	1,026,163
Total Noncurrent Liabilities	<u>3,310,343</u>	<u>4,060,858</u>	<u>7,371,201</u>
Total Liabilities	<u>\$ 3,741,146</u>	<u>4,602,583</u>	<u>8,343,729</u>
Deferred Inflows of Resources			
Deferred inflows related to pensions (Note 7)	\$ 79,901	150,759	230,660
Net Position			
Net investment in capital assets	5,217,880	8,105,755	13,323,635
Restricted (Note 9)	2,450	748,444	750,894
Unrestricted (Note 10)	(1,174,290)	3,875,392	2,701,102
Total Net Position	<u>\$ 4,046,040</u>	<u>12,729,591</u>	<u>16,775,631</u>

The accompanying notes are an integral part of these statements.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Statement of Activities and Changes in Net Position

For the Year Ended June 30, 2018

	Primary Government		Total
	Governmental Activities (Fire)	Business-Type Activities (Utility)	
Program Revenue			
Mutual aid	\$ 76,931	-	76,931
Service fees	-	3,410,021	3,410,021
Fire protection fee	16,000	-	16,000
Connection fee	-	118,658	118,658
Grants (Note 13)	-	74,075	74,075
Total Program Revenue	92,931	3,602,754	3,695,685
Expenses			
Salaries and wages	1,916,541	1,087,126	3,003,667
Employee benefits	1,046,503	819,299	1,865,802
Field Operations			
Material & supplies	14,858	10,529	25,387
Uniforms	11,700	5,419	17,119
Chemicals & lab fees	-	23,041	23,041
Utilities	39,518	63,310	102,828
Maintenance & repairs	73,584	72,046	145,630
Radio communications	2,707	-	2,707
Training & memberships	48,050	19,668	67,718
Fire prevention	2,207	-	2,207
Vehicle maintenance	34,627	34,541	69,168
Garbage contract	-	239,081	239,081
Total field operations	227,251	467,635	694,886

(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, 2018

Expenses (Continued)	Primary Government		Total
	Governmental Activities (Fire)	Business-Type Activities (Utility)	
General & administrative			
Board expenses	\$ 16,194	48,583	64,777
Accounting & audit services	9,453	16,279	25,732
Consultants	-	14,552	14,552
Legal services	3,237	13,247	16,484
Insurance	26,542	39,718	66,260
License, permit & contracts	-	35,373	35,373
Office expense	13,657	38,266	51,923
Travel & meetings	2,084	9,576	11,660
Office utilities	-	47,157	47,157
Other	-	-	-
Total general & administrative	71,167	262,751	333,918
Other expenses			
Depreciation	236,098	722,231	958,329
Interest	-	40,597	40,597
Miscellaneous	-	3,000	3,000
Total other expenses	236,098	765,828	1,001,926
Total Expenses	3,497,560	3,402,639	6,900,199
Net Program Revenue (Expense)	(3,404,629)	200,115	(3,204,514)

(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, 2018

	Primary Government		Total
	Governmental Activities (Fire)	Business-Type Activities (Utility)	
General Revenues			
Property tax (Note 8)	\$ 3,367,063	\$ 68,972	\$ 3,436,035
Administrative fees	69,868	18,044	87,912
Grants (Note 13)	-	-	-
Interest	11,610	117,153	128,763
Rental revenue (Note 16)	26,556	53,917	80,473
Other	3,794	10,439	14,234
Total General Revenues	<u>3,478,892</u>	<u>268,525</u>	<u>3,747,417</u>
Increase in Net Position	74,263	468,640	542,903
Net Position - Beginning of Year, as restated (Note 18)	\$ <u>3,971,777</u>	\$ <u>12,260,951</u>	\$ <u>16,232,728</u>
Net Position - End of Year	\$ <u><u>4,046,040</u></u>	\$ <u><u>12,729,591</u></u>	\$ <u><u>16,775,631</u></u>

The accompanying notes are an integral part of these statements.

Fund
Financial
Statements

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Fund Financial Statements

Balance Sheet

June 30, 2018

	Assets	
	Primary Government	
	Governmental Fund (Fire)	Proprietary Fund (Utility)
Current Assets		
Cash	\$ 55,985	478,139
Investments	902,801	6,958,127
Cash and cash equivalents	<u>958,786</u>	<u>7,436,266</u>
Receivables		
Service fees	43,988	57,207
Interest	1,104	9,939
Other	-	6,576
Total Receivables	<u>45,092</u>	<u>73,722</u>
Prepaid expenses and other assets	<u>114,543</u>	<u>69,504</u>
Total Current Assets	1,118,421	7,579,492
Noncurrent Assets		
Capital assets, at cost	-	25,718,753
Less accumulated depreciation	-	(16,501,515)
Net capital assets	<u>-</u>	<u>9,217,238</u>
Inter-activity balances	<u>226,494</u>	<u>(226,494)</u>
Total Noncurrent Assets	<u>226,494</u>	<u>8,990,744</u>
Total Assets	<u>\$ 1,344,915</u>	<u>16,570,236</u>
Deferred Outflows of Resources		
Deferred outflows related to pensions	-	903,146
Deferred outflows related to OPEB	-	9,551
Total Deferred Outflows of Resources	<u>\$ -</u>	<u>912,697</u>

(Continued)

The accompanying notes are an integral part of these statements.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Fund Financial Statements

Balance Sheet

June 30, 2018

Liabilities and Fund Balances

	Primary Government	
	Governmental Fund (Fire)	Proprietary Fund (Utility)
Liabilities		
Current Liabilities		
Accounts Payable	\$ 9,372	17,868
Accrued Liabilities	421,431	418,462
Deferred Revenue	-	20,075
Current portion of long-term debt	-	85,320
Total Current Liabilities	430,803	541,725
Noncurrent Liabilities		
Postemployment health benefits	-	337,316
Net pension liability	-	2,697,379
Long-term debt	-	1,026,163
Total Noncurrent Liabilities	-	4,060,858
Total Liabilities	\$ 430,803	4,602,583
Deferred Inflows of Resources		
Deferred inflows related to pensions	\$ -	150,759
Fund Balances		
Governmental Fund (Note 11)		
Nonspendable	\$ 386,129	-
Restricted	2,450	-
Committed		-
Unassigned	525,533	-
Proprietary Fund		
Net investment in capital assets	-	8,105,755
Restricted	-	748,444
Unrestricted	-	3,875,392
Total Fund Balances	\$ 914,112	12,729,591

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, 2018

Fund balance of governmental fund	\$	914,112
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Deferred outflows related to pensions are not financial resources and therefore are not reported in governmental funds</p>		1,300,432
<p>Deferred outflows related to OPEB are not financial resources and therefore are not reported in governmental funds</p>		3,860
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds</p>		
Land	\$	1,012,603
Buildings		4,928,534
Vehicles		1,624,321
Equipment		530,443
Furniture & Fixtures		42,274
Master plan		1,137
Construction in progress		-
Less accumulated depreciation		<u>(2,921,432)</u>
Net Book Value		5,217,880
<p>Postemployment health benefits are not due and payable in the current period and, therefore, are not reported in governmental funds</p>		(279,216)
<p>Net pension liability is not due and payable in the current period and therefore is not reported in governmental funds</p>		(3,031,127)
<p>Deferred inflows related to pensions are not financial resources and therefore are not reported in governmental funds</p>		<u>(79,901)</u>
Net position of governmental activities	\$	<u><u>4,046,040</u></u>

The accompanying notes are an integral part of these statements.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

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

For the Year Ended June 30, 2018

Program Revenue		
Mutual aid	\$	76,931
Fire protection fee		<u>16,000</u>
Total Program Revenue		92,931
Expenditures		
Salaries and wages		1,916,541
Employee benefits		851,180
Field operations		
Material & supplies		14,858
Uniforms		11,700
Utilities		39,518
Maintenance & repairs		73,584
Radio communications		2,707
Training & memberships		48,050
Fire prevention		2,207
Vehicle maintenance		<u>34,627</u>
Total field operations		227,251
General & administrative		
Board expenses		16,194
Accounting & audit services		9,453
Legal services		3,237
Insurance		26,542
Office expense		13,657
Travel & meetings		2,084
Other		<u>-</u>
Total general & administrative		71,167

(Continued)

The accompanying notes are an integral part of these statements.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

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

For the Year Ended June 30, 2018

Expenditures (Continued)

Other expenditures		
Capital outlay	\$	276,261
Debt service		-
Interest		-
		<hr/>
Total other expenditures		276,261
Total Expenditures		3,342,400
Net Program Revenue (Expenditures)		(3,249,469)
General Revenues		
Property tax		3,367,063
Administrative fees		69,868
Grants		-
Interest		11,610
Rental Revenue		26,556
Other		5,821
		<hr/>
Total General Revenues		3,480,918
Increase (Decrease) in Fund Balance		231,449
Fund Balance - Beginning of Year		<hr/> 682,663
Fund Balance - End of Year	\$	<hr/> <hr/> 914,112

The accompanying notes are an integral part of these statements.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

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

For the Year Ended June 30, 2018

Increase (decrease) in fund balance - governmental fund \$ 231,449

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	\$	276,261	
Less - current year depreciation expense		<u>(236,098)</u>	40,163

Increases in the accrual of postemployment health
benefits is an expense in the Statement of Net
Position but does not use current financial
resources and therefore is not reflected in the
government fund (22,437)

Loss on disposals of assets is an expense in the
Statement of Net Position but does not use current
financial resources and therefore is not reflected in
the government fund (2,026)

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 (172,886)

Increase in net position of governmental activities \$ 74,263

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, 2018

Program Revenue	
Service fees	\$ 3,410,021
Connection fee	118,658
Grants	<u>74,075</u>
 Total Program Revenue	 3,602,754
Expenses	
Salaries and wages	1,087,126
Employee benefits	819,299
Field operations:	
Material & supplies	10,529
Uniforms	5,419
Chemicals & lab fees	23,041
Minor equipment repair	-
Utilities	63,310
Maintenance & repairs	72,046
Training & memberships	19,668
Vehicle maintenance	34,541
Garbage contract	<u>239,081</u>
 Total field operations	 467,635

(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, 2018

Expenses (Continued)

General & administrative		
Board expenses	\$	48,583
Accounting & audit services		16,279
Consultants		14,552
Legal services		13,247
Insurance		39,718
License, permit & contracts		35,373
Office expense		38,266
Travel & meetings		9,576
Office utilities		47,157
Other		-
		<hr/>
Total general & administrative		262,751
Other expenses		
Depreciation	\$	722,231
Interest		40,597
Miscellaneous		3,000
		<hr/>
Total other expenses	\$	765,828
		<hr/>
Total Expenses	\$	<u>3,402,639</u>
Net Program Revenue		
(Expense)	\$	200,115

(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, 2018

General Revenues	
Property tax	\$ 68,972
Administrative fees	18,044
Interest	117,153
Rental Revenue	53,917
Other	<u>10,439</u>
Total General Revenues	\$ <u>268,525</u>
Increase (Decrease) in Fund Balance	\$ 468,640
Fund Balance - Beginning of Year, as restated (Note 18)	\$ <u>12,260,951</u>
Fund Balance - End of Year	\$ <u><u>12,729,591</u></u>

The accompanying notes are an integral part of these statements.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Statement of Cash Flows Proprietary Fund (Utility)

For the Year Ended June 30, 2018

	Business-Type Activities <u>(Utility)</u>
Cash Flows from Operating Activities:	
Cash receipts from customers	\$ 3,529,885
Cash payments to suppliers for goods and services	(1,285,653)
Cash payments to employees for services	(1,072,647)
Other receipts	<u>124,708</u>
Net Cash Provided By Operating Activities	1,296,293
Cash Flows From Noncapital Financing Activities:	
Receipt of property taxes	<u>68,972</u>
Net Cash Provided By Noncapital Financing Activities	68,972
Cash Flows From Capital and Related Financing Activities:	
Repayment of long-term debt	(82,570)
Interest paid on long-term debt	<u>(41,969)</u>
Net Cash Used By Capital and Related Financing Activities	(124,539)
Cash Flows From Investing Activities:	
Purchase of capital assets	(718,360)
Interest received on cash and investments	<u>113,426</u>
Net Cash Used By Investing Activities	(604,934)
Net Increase in Cash	635,792
Cash and Cash Equivalents - Beginning of Year	<u>6,800,474</u>
Cash and Cash Equivalents - End of Year	<u>\$ 7,436,266</u>

(Continued)

The accompanying notes are an integral part of these statements.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Statement of Cash Flows

For the Year Ended June 30, 2018

	<u>Business-Type Activities (Utility)</u>
Reconciliation of Increase in Net Position to Net	
Cash Used by Operating Activities:	
Increase in net position	\$ 468,640
Adjustments to reconcile increase in net position to net cash used by operating activities:	
Depreciation	722,231
Amortization of debt costs	-
Non-operating revenue	(186,125)
Non-operating expenses	40,596
(Increase) decrease in:	
Receivables	12,871
Prepays	(5,536)
Construction in progress	-
Deferred outflows	(168,718)
Increase (decrease) in:	
Accounts payable	19,429
Accrued liabilities	(48,023)
Postemployment health benefits	28,022
Net pension liability	377,148
Deferred inflows	35,758
Total adjustments	<u>827,653</u>
Net Cash Provided by Operating Activities	<u>\$ 1,296,293</u>

The accompanying notes are an integral part of these statements

Notes
to the
Financial
Statements

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2018

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

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

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

Basis of Accounting/Measurement Focus

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

Government-Wide Financial Statements

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

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

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

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2018

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

Government-Wide Financial Statements (Continued)

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

Governmental Fund

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

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

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

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

For the year ended June 30, 2018, the District realized an increase in fund balance for the governmental fund of \$231,449. This is primarily a result additional revenue earned for strike teams. This further resulted in an unassigned fund balance of \$525,533 as of June 30, 2018 which will be used for future capital projects.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2018

(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, 2018

(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	3-20 years

Compensated Absences

In accordance with District policy, the District has accrued a liability for vacation pay and sick leave which has been earned but not taken by District employees. This accrual represents the estimated probable future payments attributable to employees' service for all periods prior to June 30, 2018 at their current rate of pay.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2018

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

Pensions

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

For this report, the following timeframes are used.

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

Post-Employment Benefits Other Than Pensions

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions ("OPEB"). This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses related to OPEB. These standards apply to all public employers that pay any part of the cost of retiree health benefits for current or future retirees. The District engaged Total Compensation Systems, Inc. (TCS) to analyze liabilities associated with its current retiree health program as of June 30, 2017.

For this report, the following timeframes are used.

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

At June 30, 2018, the District had an undesignated unrestricted (deficit) of \$(2,370,141); \$(1,676,234) for governmental activities and \$(693,907) for business-type activities). This resulted in an unrestricted net position of \$(1,174,290) for governmental activities. This deficit is primarily a result of implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* as well as GASB Statement No. 75, *Accounting and Financial Reporting for Other Post-Employment Benefits*. The District expects that these deficits will be funded with future tax revenues.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2018

(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 effects of subsequent events have been evaluated through November 5th, 2018, which is the date the financial statements were available to be issued.

Upcoming Accounting Pronouncements

Government Accounting Standards Board Statement No. 87

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

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2018

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

Government Accounting Standards Board Statement No. 88

In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related To Debt, Including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. Application of this statement is effective the District's fiscal year ending June 30, 2019.

(2) CASH AND INVESTMENTS:

The District follows the practice of pooling cash and investments of all funds. Interest income earned on pooled cash and investments is allocated to the various funds based on quarter-end cash and investment balances of the respective fund. At June 30, 2018, the District's cash and investment balances included the following:

Pooled cash	\$ 534,124
Pooled investments	<u>7,860,928</u>
	<u>\$ 8,395,052</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, 2018

(2) CASH AND INVESTMENTS: (Continued)

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

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

The District's investments in the State and County investment pool are fully insured by the related entity. These investment pools do not release a credit quality.

Investments of the District are summarized as follows:

	<u>Carrying Amount</u>	<u>Market Value</u>
State of California Local Agency Investment Fund	\$ 23,818	23,818
ProEquities Certificate of Deposit	493,000	482,812
ProEquities Money Market	2,960	2,960
Placer County Pooled Investment Fund	<u>7,341,150</u>	<u>7,341,150</u>
Total	<u>\$ 7,860,928</u>	<u>7,850,740</u>

The District's investments with Local Agency Investment Fund (LAIF) at June 30, 2018 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, 2018

(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, 2018:

- a) State of California Local Agency Investment Fund of \$23,818 is valued using the underlying quoted market prices (Level 2 inputs)
- b) Placer County Pooled Investment Fund of \$7,341,150 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, 2018

(4) CAPITAL ASSETS:

A summary of Governmental Activities capital assets is presented below:

	Balance July 1, 2017	Additions	Deletions	Transfers	Balance June 30, 2018
Fire Department:					
Land	\$ 1,012,603	-	-	-	1,012,603
Buildings	4,904,090	24,444	-	-	4,928,534
Equipment	526,449	33,744	(29,750)	-	530,443
Furniture & Fixtures	42,274	-	-	-	42,274
Master plan	1,137	-	-	-	1,137
Vehicles	1,282,090	218,073	(35,041)	159,199	1,624,321
Construction in progress	159,199	-	-	(159,199)	-
Total Capital Assets	7,927,842	276,261	(64,791)	-	8,139,312
Accumulated Depreciation	(2,748,100)	(236,098)	62,766	-	(2,921,432)
Net Book Value	\$ 5,179,742				5,217,880

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

	Balance July 1, 2017	Additions	Deletions	Transfers	Balance June 30, 2018
Utility Department:					
Land	\$ 1,012,603	-	-	-	1,012,603
Buildings	4,409,699	5,500	(1,000)	-	4,414,199
Water system	10,608,517	49,337	(10,494)	41,020	10,688,380
Sewage system	5,711,117	-	-	-	5,711,117
Headquarters	752,614	-	-	-	752,614
Equipment	482,298	26,234	(232)	-	508,300
Interceptors	1,183,280	-	-	-	1,183,280
Vehicles	520,741	133,234	-	-	653,975
Furniture & Fixtures	258,118	-	(3,495)	-	254,623
Construction in progress	116,458	464,224	-	(41,020)	539,662
Total Capital Assets	25,055,445	678,529	(15,221)	-	25,718,753
Accumulated Depreciation	(15,794,504)	(722,232)	15,221	-	(16,501,515)
Net Book Value	\$ 9,260,941				9,217,238

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2018

(5) LONG-TERM DEBT:

The District's Business-Type Activity has entered into a 25 year capital lease agreement effective June 30, 2004 with the California Infrastructure and Economic Development Bank (CIEDB) to finance a portion (\$2,000,000) of the construction of the new Fire and Administration Center. The agreement calls for semi-annual payments in varying amounts over the life of the 25 year loan. The first payment was due February 2005, with final maturity of the loan scheduled for August 2028. Since the loan is older than twelve years, the loan can be prepaid without being subject to penalties.

A summary of the District's Business-Type Activities long-term debt at June 30, 2018 is as follows:

	Balance June 30, 2017	Additions	Payments	Balance June 30, 2018
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
3.63% lease faculty for \$2,000,000, payable over 25 years to The California Infrastructure and Economic Development Bank, first payment due February 2005 and semi-annually thereafter, maturity August 2028, secured by existing District land and facilities.	\$ 1,194,053	-	(82,570)	1,111,483
Total Long-Term Debt	1,194,053	<u> </u>	<u>(82,570)</u>	<u>1,111,483</u>
Less Current Installments of Long- Term Debt	82,570			85,320
Long-Term Debt Excluding Current Installments	<u>\$ 1,111,483</u>			<u>1,026,163</u>

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2018

(5) LONG-TERM DEBT: (Continued)

The annual requirements to amortize District long-term debt as of June 30, 2018 is as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	85,320	38,926	124,246
2020	88,161	35,782	123,943
2021	91,097	32,533	123,630
2022	94,130	29,175	123,305
2023	97,265	25,706	122,971
2024 through 2028	537,120	72,314	609,434
through 2029	<u>118,390</u>	<u>2,326</u>	<u>120,716</u>
	<u>\$ 1,111,483</u>	<u>236,762</u>	<u>1,348,245</u>

(6) DEFERRED COMPENSATION PLANS:

A 457 Deferred Compensation Plan has been established by the District with Mass Mutual. Employees may elect to defer compensation up to 100% of their salary or \$18,500 (\$24,500 if employee will have obtained age 50 by the end of the calendar year), whichever is less. Employees in their last three years before retirement may qualify to contribute additional amounts, but never more than \$37,000 per year. This Plan is fully funded with Mass Mutual.

In addition, the District has also established a 457 Deferred Compensation Plan with the California Public Employees' Retirement System. Employees may elect to defer compensation up to 100% of their salary or \$18,500 (\$24,500 if employee will have obtained age 50 by the end of the calendar year), whichever is less. Employees in their last three years before retirement may qualify to contribute additional amounts, but never greater than \$37,000 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, 2018

(7) NET PENSION LIABILITY:

a) General Information about the Pension Plan

i) Plan Description

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

ii) Benefits Provided

CalPERS provides retirement, disability, and death benefits. Retirement benefits are determined as a percent of the employee's 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, years of service in the plan and their age at retirement. Employees with 5 years of continuous service are eligible to retire at age 50 (or in some cases age 62). Five years of service is required for non-industrial disability eligibility and no minimum years of service for an industrial disability. Disability benefits are determined in the same manner as retirement benefits. Death benefits vary from simple return of participant contributions to a monthly allowance equal to the retirement benefit. The plan provides for annual cost-of-living adjustment based on the Consumer Price Index, subject to a maximum of 2%.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2018

(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, 2017 (the measurement date), the following is a summary of contribution rates:

	<u>Employee Contribution</u>	<u>Employer Contribution</u>	<u>Total Required Contribution</u>
Governmental Activity (Fire Department)			
First Tier Plan	9.000%	19.723%	28.723%
Second Tier Plan	9.000	16.842	25.842
PEPRA Plan	11.500	11.990	23.490
Business-Type Activity (Utility Department)			
First & Second Tier Plan	8.000%	12.809%	20.809%
PEPRA Plan	6.750	7.000	13.750

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

At June 30, 2018, the District reported a liability of \$5,728,506 (\$3,031,127 for governmental activities and \$2,697,379 for business-type activities) for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2018, the District's proportion was 0.05073% for the governmental activities pool and 0.06843% for the business-type activities pool, which compares to 0.04980% the governmental activities pool and 0.06679% for the business-type activities pool at June 30, 2017.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2018

(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, 2018, the District recognized pension expense of \$1,153,867 (\$634,047 for governmental activities and \$519,820 for business-type activities). At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Governmental Activities		
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 35,637	9,291
Changes of assumptions	516,821	39,652
Difference between projected and actual earnings on pension plan investments	112,687	-0-
Changes in proportion and differences between District contributions and proportionate share of contributions	253,538	30,958
District contributions subsequent to the measurement date	381,749	-0-
Total	<u>\$ 1,300,432</u>	<u>79,901</u>

Business-Type Activities		
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 3,409	\$ 48,834
Changes of assumptions	422,923	32,248
Difference between projected and actual earnings on pension plan investments	95,648	-0-
Changes in proportion and differences between District contributions and proportionate share of contributions	128,134	69,677
District contributions subsequent to the measurement date	253,032	
Total	<u>\$ 903,146</u>	<u>150,759</u>

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2018

(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 \$634,781 (\$381,749 for governmental activities and \$253,032 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
6/30/19	\$ 296,527	145,563	442,090
6/30/20	369,749	259,108	628,857
6/30/21	238,443	151,464	389,907
6/30/22	(65,937)	(56,788)	(122,725)

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

For the measurement period ending June 30, 2017 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2016 total pension liability. The June 30, 2017 and the June 30, 2016 total pension 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	7.15% for 6/30/17, 7.65% for 6/30/16
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.15% Net of Pension Plan Investment and Administrative Expenses; includes inflation
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% 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, 2018

(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, 2016 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 7.15 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 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section. CalPERS has approved to adjust the discount rate to 7% by 2020.

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

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Taking into account historical returns of all the Public Employees Retirement Funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), 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 PERF 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 equal 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, 2018

(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. The target allocation shown was adopted by the Board effective on July 1, 2014.

Asset Class	New Strategic Allocation	Real Return Years 1-10	Real Return Years 11+
Global Equity	47.0%	4.90%	5.38%
Global Debt Securities	19.0	0.80	2.27
Inflation Assets	6.0	0.60	1.39
Private Equity	12.0	6.60	6.63
Real Estate	11.0	2.80	5.21
Infrastructure and Forestland	3.0	3.90	5.36
Liquidity	2.0	(0.40)	(0.90)

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 7.15 percent, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

	Discount Rate – 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate +1% (8.15%)
Governmental Activities	\$ 4,738,488	3,031,127	1,635,445
Business-Type Activities	4,091,454	2,697,379	1,542,781
Total	\$ 8,829,942	5,278,506	3,178,226

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, 2018

(7) NET PENSION LIABILITY: (Continued)

g) Payables to the Pension Plan

At June 30, 2018, 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		4,670
		4,670
	\$	4,670

(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, 2018 was \$6,357,897. The District's actual annual proceeds of taxes for the year ended June 30, 2018 was \$3,436,035, leaving a margin of \$2,921,862.

The proceeds of taxes limitation adopted by the District for the year ended June 30, 2019 is \$6,634,734.

(9) RESTRICTED NET POSITION:

Net position is subject to the following legal restrictions:

Governmental Activities:

Fire – protection fees	\$	2,450
Total Restricted Net Position – Governmental Activities		2,450

Business-Type Activities:

Capital projects - water	\$	590,599
Capital projects - sewer		-0-
Inflow and infiltration		157,845
Total Restricted Net Position – Business-Type Activities	\$	748,444

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2018

(10) UNRESTRICTED NET POSITION:

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

Governmental Activities:

Capital asset replacement fund	\$ 275,450
Capital asset replacement fund - building	226,494
Total Designated Net Position	<u>501,944</u>
Undesignated Net Position	<u>(1,676,234)</u>
Total Unrestricted Net Position – Governmental Activities	<u>\$ (1,174,290)</u>

Business-Type Activities:

Capital asset replacement fund - water	\$ 809,010
Capital asset replacement fund - sewer	3,574,073
Garbage	<u>186,216</u>
Total Designated Net Position	4,569,299
Undesignated Net Position	<u>(693,907)</u>
Total Unrestricted Net Position – Business-Type Activities	<u>\$ 3,875,392</u>

The District had an undesignated unrestricted (deficit) of \$(2,370,141); \$(1,676,234) for governmental activities and \$(639,907) for business-type activities). This resulted in an unrestricted net position of \$(1,174,290) for governmental activities. This deficit is primarily a result of implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* as well as GASB Statement No. 75, *Accounting and Financial Reporting for Other Post-Employment Benefits*. The District expects that these deficits will be funded with future tax revenues

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

Nonspendable fund balance consists of receivables (\$45,092), prepaid expenses (\$114,543) 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.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2018

(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, 2018 were \$250,631 while expenses, both direct and allocated, totaled \$240,437.

13) GRANTS:

In May 2015, the District entered into a grant agreement with the South Tahoe Public Utility District (STPUD) regarding a pass through grant from the California Department of Water Resources. Grant funds are to be used for the District's Regional Water Use Efficiency Program. The grant provides that the STPUD will pay you up to \$25,246 of costs. As of June 30, 2018, the District had expended \$8,636 for the project. As of June 30, 2018 the District had a receivable in the amount of \$3,392.

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 2018 we contracted solely with Placer County where we received \$55,282 based on time and materials. The Board also decided to refund prior year's excess funds from our in-valley contributors in the amount of \$73,534.

In May of 2017 the District entered into a Development Agreement with The Palisades Development, LLC (Developer). The Developer agreed to pay \$50,000 over a three year period to the District for the purpose of installing a pressure reduction valve and station. This would be a contribution to the District's Zone 1A Improvement Project. As of June 30, 2018 the District had billed the first installment of \$16,667 and had not yet received payment.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2018

(14) POSTEMPLOYMENT HEALTH BENEFITS:

a) Plan Description

The District provides health insurance coverage to each employee who retires and completes various age and service requirements through the California Public Employee' Retirement System (CalPERS) through a single-employer benefit plan. The District follows Public Employees' Medical & Hospital Care Act (PEMHA) minimum contribution requirements for each eligible retiree. 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.

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

b) Funding Policy

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

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

The most recent valuation data available for the Postemployment Health Benefit plan is for the year ended June 30, 2017. The following information is presented based on the plan's June 30, 2017 valuation.

The District concluded that it would be too expensive and time-consuming to rerun prior valuations under GASB 75. As such, the District invoked Paragraph 244 of GASB 75 for the transition. Consequently, in order to determine the beginning total OPEB Liability (TOL), we used a "roll-back" technique.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2018

(14) POSTEMPLOYMENT HEALTH BENEFITS: (Continued)

d) Annual Postemployment Health Benefit Cost and Total Postemployment Health Benefit Obligation (Continued)

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

Changes in Total OPEB Liability as of June 30, 2017	Total OPEB Liability	Plan Contributions and Benefit Payments	Total OPEB Liability
Roll back balance at June 30, 2016	\$577,372	\$-	\$577,372
Service Cost	31,009	-	31,009
Interest on TOL	20,519	-	20,519
Employer Contributions	-	12,368	(12,368)
Employee Contributions	-	-	-
Actual Investment Income	-	-	-
Administrative Expense	-	-	-
Benefit Payments	(12,368)	(12,368)	-
Other	-	-	-
Net Change during 2016-17	\$39,160	\$-	\$39,160
Balance at June 30, 2017*	\$616,532	\$-	\$616,532

*As this is the first year of implementing GASB 75, no prior history of OPEB liability is included.

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

The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. For the measurement period ending June 30, 2017 (the measurement date), the total OPEB liability was based on the following actuarial methods and assumptions:

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2018

(14) POSTEMPLOYMENT HEALTH BENEFITS: (Continued)

e) Actuarial Methods and Assumptions Used to Determine Total OPEB Liability (continued)

<u>Actuarial Cost Method</u>	Entry Age in accordance with the requirements of GASB Statement No. 75
<u>Actuarial Assumptions</u>	
Discount Rate	3.5% per year net of expenses. Based on the Bond Buyer 20 Bond Index
Inflation	2.75%
Salary Increases	2.75%
Healthcare Cost Trend	4%
Mortality Rate Table	Derived using CalPERS' 2014 Mortality Data
Retirement Rates	Firefighters: Hired before 2013: 2009 CalPERS 3% @50 Rates for Firefighters Hired after 2012: 2009 CalPERS 2% @50 Rates for Firefighters General Employees: Hired before 2013: 2009 CalPERS 2.7% @55 Rates for Miscellaneous employees Hired after 2012: 2009 CalPERS 2% @60 Rates for Miscellaneous employees adjusted to reflect a minimum retirement age of 52
Service Requirement	100% at 5 years of service

f) Discount Rate

The discount rate used to measure the total OPEB liability for a measurement date of June 30, 2017 was 3.5%. The District assumed that contributions would be sufficient to fully fund the obligation over a period not to exceed 30 years. There are currently no plan assets so assumptions made about projected cash flows and investment returns were not included.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2018

(14) POSTEMPLOYMENT HEALTH BENEFITS: (Continued)

f) Discount Rate (continued)

The following presents the total OPEB liability/(asset) of the District as of the measurement date, calculated using the discount rate of 3.5 percent, as well as what the total OPEB liability/(asset) would be if it were calculated using a discount rate that is 1 percentage-point lower (2.5 percent) or 1 percentage-point higher (4.5 percent) than the current rate:

	Discount Rate – 1% (2.50%)	Current Trend Rate (3.50%)	Discount Rate +1% (4.50%)
Net OPEB Liability	\$ 732,340	616,532	525,416

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

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

	Trend Rate – 1% (3.00%)	Current Trend Rate (4.00%)	Trend Rate +1% (5.00%)
Net OPEB Liability	\$ 528,790	616,532	722,432

h) Summary of Plan Participants

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

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2018

(14) POSTEMPLOYMENT HEALTH BENEFITS: (Continued)

i) OPEB Expense

Under GASB 75, OPEB expense includes service cost, interest cost, change in TOL due to plan changes; all adjusted for deferred inflows and outflows. We determined that it was not reasonable to rerun prior valuations under GASB 75. Therefore, we used the transition approach provided in GASB 75, Paragraph 244. That means that there are no deferred inflows/outflows in the first year (with the exception of contributions after the measurement date). These deferred items will begin during the next valuation. The OPEB expense for the current year is summarized below.

Preliminary OPEB Expense Fiscal Year Ending June 30, 2018

Service Cost	\$31,009
Interest on Total OPEB Liability (TOL)	20,519
Employee Contributions	-
Recognized Actuarial Gains/Losses	-
Recognized Assumption Changes	-
Actual Investment Income	-
Recognized Investment Gains/Losses	-
Contributions After Measurement Date (Deferred Outflow)	(13,412)
Liability Change Due to Benefit Changes	-
Administrative Expense	-
OPEB Expense	<u>\$38,116</u>

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

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

Year Beginning July 1	Total	Fire Fighters	General Employees
2017	\$13,142	\$3,860	\$9,552
2018	13,557	3,733	9,824
2019	14,735	4,418	10,317
2020	16,077	5,246	10,831
2021	17,604	6,142	11,462
2022	19,222	7,142	12,080
2023	20,914	8,148	12,766
2024	22,684	9,186	13,498
2025	24,501	10,224	14,277
2026	26,399	11,366	15,033

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2018

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, 2018

(16) RENTAL ACTIVITY:

The District rents idle facilities to outside parties. These facilities have an original cost of \$1,007,952, accumulated depreciation of \$961,491, and a net book value of \$46,461. Rental income of \$80,474 is reflected in the Statement of Activities for the Business-Type and Government Activity. Expenses for the rental activity, which are also reflected in the Statement of Activities, are as follows:

Maintenance and repairs	\$ 4,466
Insurance	1,143
Utilities	13,797
Depreciation	<u>11,410</u>
Total Expenses	\$ <u>30,816</u>

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

<u>Year Ending June 30</u>	<u>Amount</u>
2019	\$ 92,533
2020	87,664
2021	<u>59,388</u>
	\$ <u>239,585</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.

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2018

(18) RESTATEMENT OF NET POSITION:

As a result of the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, net position as of July 1, 2017 was restated as follows:

	Governmental Activities (Fire)	Business-Type Activities (Utility)	Total
Net Position at July 1, 2017, As previously reported	\$ 4,090,387	\$ 12,353,416	\$ 16,443,803
Restatement to recognize Net OPEB Liability	(121,648)	(100,722)	(222,370)
Restatements to recognize OPEB contributions subsequent to the measurement date as deferred outflows of resources	3,038	8,257	11,295
Total restatements	(118,610)	(92,465)	(211,075)
Net Pension at July 1, 2017, as restated	\$ 3,971,777	\$ 12,260,951	\$ 16,232,728

Required
Supplementary
Information
(Unaudited)

SQUAW VALLEY PUBLIC SERVICE DISTRICT

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

For the Year Ended June 30, 2018

	Original and Final Budget	Actual	Budget Variance (Over) Under
Program Revenue			
Mutual aid	\$ -	\$ 76,931	\$ (76,931)
Fire protection fee	12,000	16,000	(4,000)
Total Program Revenue	12,000	92,931	(80,931)
Expenditures			
Salaries and wages	1,912,723	1,916,541	(3,818)
Employee benefits	886,880	851,180	35,700
Field Operations			
Material & supplies	15,000	14,858	142
Uniforms	11,800	11,700	100
Utilities	47,015	39,518	7,497
Maintenance & repairs	71,890	73,584	(1,694)
Radio communications	3,000	2,707	293
Training & memberships	52,937	48,050	4,887
Fire prevention	2,300	2,207	93
Vehicle maintenance	39,300	34,627	4,673
Total field operations	243,242	227,251	15,991
General & Administrative			
Board expenses	17,506	16,194	1,312
Accounting & audit services	9,780	9,453	327
Legal services	13,250	3,237	10,013
Insurance	24,530	26,542	(2,012)
Office expense	12,430	13,657	(1,227)
Travel & meetings	4,500	2,084	2,416
Other	-	-	-
Total general & administrative	81,996	71,167	10,829

(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, 2018

	Original and Final Budget	Actual	Budget Variance (Over) Under
Expenditures (Continued)			
Other expenditures			
Capital outlay	\$ 105,583	276,261	(170,678)
Debt service	-	-	-
Interest	-	-	-
Total other expenditures	<u>105,583</u>	<u>276,261</u>	<u>(170,678)</u>
Total Expenditures	<u>3,230,424</u>	<u>3,342,400</u>	<u>(111,975.87)</u>
Net Program Revenue (Expenditures)	(3,218,424)	(3,249,469)	31,045
General Revenues			
Property tax	3,379,611	3,367,063	12,548
Administrative fees	-	69,868	
Grants	-	-	-
Interest	-	11,610	(11,610)
Rental Revenue	25,902	26,556	(654)
Other	<u>1,200</u>	<u>5,821</u>	<u>(4,621)</u>
Total General Revenues	<u>3,406,714</u>	<u>3,480,918</u>	<u>(74,204)</u>
Increase (Decrease) in Fund Balance	<u>\$ 188,290</u>	231,449	<u>(43,160)</u>
Fund Balance – Beginning of Year		<u>682,663</u>	
Fund Balance – End of Year		<u>\$ 914,112</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, 2018

	Original and Final Budget	Actual	Budget Variance (Over) Under
Program Revenue			
Service fees	\$ 3,405,793	3,410,021	(4,228)
Connection fee	64,000	118,658	(54,658)
Grants	118,628	74,075	44,553
Total Program Revenue	3,588,421	3,602,754	(14,333)
Expenses			
Salaries and wages	1,178,620	1,087,126	91,494
Employee benefits	659,022	819,299	(160,277)
Field operations:			
Material & supplies	19,000	10,529	8,471
Uniforms	6,500	5,419	1,081
Chemicals & lab fees	19,000	23,041	(4,041)
Utilities	65,340	63,310	2,030
Maintenance & repairs	130,026	72,046	57,980
Training & memberships	19,085	19,668	(583)
Vehicle maintenance	31,900	34,541	(2,641)
Garbage contract	240,301	239,081	1,220
Total field operations	531,152	467,635	63,517

(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, 2018

	Original and Final Budget	Actual	Budget Variance (Over) Under
Expenses (Continued)			
General & administrative			
Board expenses	\$ 52,519	48,583	3,936
Accounting & audit services	16,460	16,279	181
Consultants	94,500	14,552	79,948
Legal services	13,500	13,247	253
Insurance	37,472	39,718	(2,246)
License, permit & contracts	36,957	35,373	1,584
Office expense	38,130	38,266	(136)
Travel & meetings	18,125	9,576	8,549
Office utilities	57,305	47,157	10,148
	<u>364,968</u>	<u>262,751</u>	<u>102,217</u>
Other expenses			
Depreciation	804,487	722,231	82,256
Interest	41,969	40,597	1,372
Miscellaneous	1,000	3,000	(2,000)
Total other expenses	<u>847,456</u>	<u>765,828</u>	<u>81,628</u>
Total Expenses	<u>3,581,218</u>	<u>3,402,639</u>	<u>178,580</u>
Net Program Revenue (Expense)	7,203	200,115	(192,912)

(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, 2018

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Budget Variance (Over) Under</u>
General Revenues			
Property tax	\$ 68,972	68,972	-
Administrative fees	24,896	18,044	6,852
Interest	10,100	117,153	(107,053)
Rental revenue	52,590	53,917	(1,327)
Other	-	10,439	(10,439)
	<u>156,559</u>	<u>268,525</u>	<u>(111,967)</u>
 Total General Revenues			
Increase (Decrease) in Fund Balance	\$ <u>163,761</u>	468,640	<u>(304,878)</u>
 Fund Balance – Beginning of Year, as restated (Note 18)		<u>12,260,951</u>	
 Fund Balance – End of Year		<u>\$ 12,729,591</u>	

SQUAW VALLEY PUBLIC SERVICE DISTRICT

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

Governmental Activities

	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>
District's proportion of the net pension liability (asset)	0.05073 %	0.0498 %	0.04803 %	0.045323 %
District's proportionate share of the net pension liability (asset)	\$ 3,031,127	2,579,354	1,979,217	1,398,722
District's covered-employee payroll	\$ 1,426,607	1,409,624	1,388,693	1,267,582
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	212.47 %	182.98 %	142.52 %	110.35 %
Plan fiduciary net position as a percentage of the total pension liability	75.16 %	75.48 %	79.14 %	81.42 %

Business-Type Activities

	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>
District's proportion of the net pension liability (asset)	0.06843 %	0.06679 %	0.06623 %	0.056594 %
District's proportionate share of the net pension liability (asset)	\$ 2,697,379	2,320,231	1,817,006	1,700,068
District's covered-employee payroll	\$ 1,141,501	1,159,919	1,047,508	998,317
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	236.30 %	200.03 %	173.46 %	170.29 %
Plan fiduciary net position as a percentage of the total pension liability	73.39 %	74.18 %	79.15 %	83.03 %

Notes to Schedule:

Methods and assumptions used to determine contribution rates:

Valuation Date	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
Actuarial cost method	Entry age normal cost method			
Amortization method	Level percent of payroll			
Asset valuation method	Market value			
Actuarial assumptions:				
Discount rate	7.15%	7.65%	7.65%	7.50%
Projected salary increases	Varies by entry age and service			
Inflation	2.75%	2.75%	2.75%	2.75%
Post Retirement Benefit increase	2.75%	3.00%	3.00%	3.00%

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

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Schedule of District Contributions for Pensions
Last 10 Years*

Governmental Activities

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

Business-Type Activities

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

Notes to Schedule:

Methods and assumptions used to determine contribution rates:

Valuation Date	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
Actuarial cost method	Entry age normal cost method			
Amortization method	Level percent of payroll			
Asset valuation method	Market value			
Actuarial assumptions:				
Discount rate	7.15%	7.65%	7.65%	7.50%
Projected salary increases	Varies by entry age and service			
Inflation	2.75%	2.75%	2.75%	2.75%
Post Retirement Benefit increase	2.75%	3.00%	3.00%	3.00%

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

SQUAW VALLEY PUBLIC SERVICE DISTRICT

Schedule of Changes in the Total OPEB Liability as of Measurement Date
Last 10 Years*

<u>As of Measurement Date of June 30th</u>	<u>2017</u>
Total OPEB Liability – Beginning	\$577,372
Service Cost	31,009
Interest on TOL	20,519
Benefit Payments	(12,368)
Total OPEB Liability – Ending*	<u>\$616,532</u>

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

	Governmental Activities	Business-Type Activities
Total OPEB Liability	\$ 279,216	\$ 337,316
Covered payroll (active plan members)	\$ 1,426,607	\$ 1,141,501
Total OPEB Liability as a percentage of covered payroll	19.57%	29.55%

Notes to Schedule:

Methods and assumptions used to determine OPEB Liability:

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

*As this is the first year of implementing GASB 75, no prior history of OPEB liability is included.

Supplementary Information

SQUAW VALLEY PUBLIC SERVICE DISTRICT

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

For the Year Ended June 30, 2018

	Water Department	Sewer Department	Garbage Department	Other	Total Business- Type Activities (Utilities)
Program Revenue					
Service fees	\$ 1,737,105	1,324,468	250,631	97,817	\$ 3,410,021
Connection fee	78,449	40,209	-	-	118,658
Grants	23,818	-	-	50,257	74,075
Total Program Revenue	\$ 1,839,372	1,364,677	250,631	148,074	\$ 3,602,754
Expenses					
Salaries and wages	\$ 683,867	353,539	1,031	48,689	1,087,126
Employee benefits	515,025	277,483	325	26,466	819,299
Field operations:					
Material & supplies	6,934	3,595	-	-	10,529
Uniforms	3,523	1,896	-	-	5,419
Chemicals & lab fees	23,041	-	-	-	23,041
Utilities	57,549	5,761	-	-	63,310
Maintenance & repairs	33,318	13,430	-	25,298	72,046
Training & memberships	14,359	5,309	-	-	19,668
Vehicle maintenance	19,282	15,259	-	-	34,541
Garbage contract	-	-	239,081	-	239,081
Total field operations	\$ 158,006	45,250	239,081	25,298	\$ 467,635

(Continued)

SQUAW VALLEY PUBLIC SERVICE DISTRICT

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

For the Year Ended June 30, 2018

	Water Department	Sewer Department	Garbage Department	Other	Total Business- Type Activities (Utilities)
Expenses (Continued)					
General & administrative					
Board expenses	\$ 31,579	17,004	-	-	48,583
Accounting & audit services	10,582	5,697	-	-	16,279
Consultants	9,459	5,093	-	-	14,552
Legal services	8,610	4,637	-	-	13,247
Insurance	25,817	13,901	-	-	39,718
License, permit & contracts	22,992	12,381	-	-	35,373
Office expense	24,873	13,393	-	-	38,266
Travel & meetings	6,225	3,352	-	-	9,577
Office utilities	30,652	16,505	-	-	47,157
	<u>170,789</u>	<u>91,962</u>	<u>-</u>	<u>-</u>	<u>262,751</u>
Total general & administrative	\$ 170,789	91,962	-	-	262,751
Other expenses					
Depreciation	\$ 437,431	284,800	-	-	722,231
Interest	26,388	14,209	-	-	40,597
Miscellaneous	3,000	-	-	-	3,000
Total other expenses	\$ 466,819	299,009	-	-	765,828
	<u>466,819</u>	<u>299,009</u>	<u>-</u>	<u>-</u>	<u>765,828</u>
Total Expenses	\$ 1,994,506	1,067,243	240,437	100,453	3,402,639
	<u>1,994,506</u>	<u>1,067,243</u>	<u>240,437</u>	<u>100,453</u>	<u>3,402,639</u>
Net Program Revenue (Expense)	\$ (155,134)	297,434	10,194	47,622	200,115

(Continued)

SQUAW VALLEY PUBLIC SERVICE DISTRICT

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

For the Year Ended June 30, 2018

	Water Department	Sewer Department	Garbage Department	Other	Total Business- Type Activities (Utilities)
General Revenues					
Property tax	\$ 68,972	-	-	-	68,972
Administrative fees	1,626	876	-	15,542	18,044
Interest	36,963	76,518	3,671	-	117,153
Rental revenue	35,046	18,871	-	-	53,917
Other	6,786	3,654	-	-	10,439
Total General Revenues	\$ 149,393	99,919	3,671	15,542	268,525
Increase (Decrease) in Net Balance	\$ (5,741)	397,353	13,865	63,163	468,640

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, 2018

M^cCLINTOCK 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, 2018, 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 5, 2018.

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 5, 2018