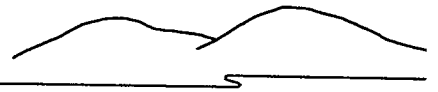


Little Lake Fire Protection District

FINANCIAL STATEMENTS

AUDIT REPORT

June 30, 2017



November 30, 2017

Little Lake Fire Protection District

Willits, CA

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of Little Lake Fire Protection District as of and for the year-ended June 30, 2017, 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 of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion 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 applicable to financial audits contained in Governmental Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 our audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

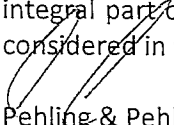
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Little Lake Fire Protection District as of June 30, 2017, and the respective changes in financial position, and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information and Budget VS. Actual comparison 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 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 principally of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with managements 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 assurances on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide an assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 30, 2017, on our consideration of the Little Lake Fire Protection 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.


Pehling & Pehling, CPA's
An Accountancy Corporation

Little Lake Fire Protection District

**Audit Report
June 30, 2017**

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Little Lake Fire Protection District

**Management's Discussion and Analysis
For the year ended June 30, 2017**

The intent of the management's discussion and analysis is to provide highlights of the Little Lake Fire Protection District's financial activities for the fiscal year ended June 30, 2017.

The District's Operations – an Overview

The District was formed and has held the responsibility of providing a constant vigilance of safety and fire protection to those within its boundaries and outlying areas. The District functions through the efforts of the Little Lake Fire Protection District.

The District is located in Mendocino County, California and encompasses the City of Willits and surrounding areas.

The funding for operating the department comes from an ad valorem tax, a special tax and local charges for services. The District does, on occasion receive financial assistance from monies earned from, private donations and occasional grants.

FINANCIAL HIGHLIGHTS

Revenues

Combined revenues for the fiscal year totaled \$1,058,748.

Expenses

Combined expenses for the fiscal year totaled \$ 843,730.

Expenditures

Combined expenditures for the fiscal year totaled \$ 1,327,108.

Capital Expenditures

Capital expenditures for the fiscal year totaled \$416,750 for plans to purchase a surplus OES engine and a new Pumper.

Interest Earnings

Interest earnings for the year totaled \$8,287. Any interest income received by the District is acquired through investments made by the County Treasurer and then apportioned to the District by the County Auditor-Controller.

General and Administrative

The District had higher payroll costs which were offset by state reimbursement for strike teams.

BASIS OF ACCOUNTING

Little Lake Fire Protection District

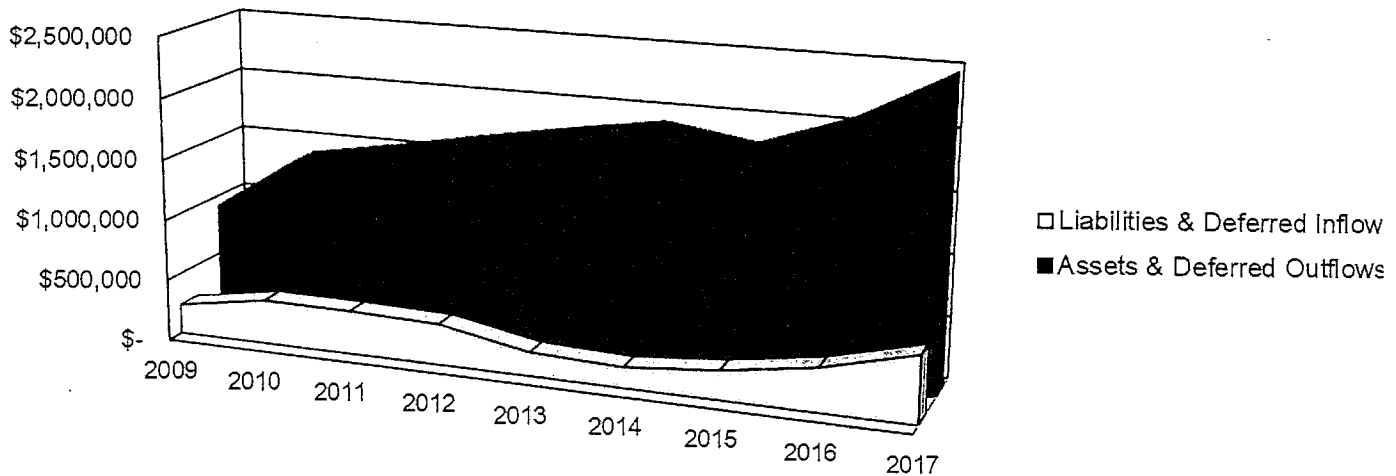
**Management's Discussion and Analysis
For the year ended June 30, 2017**

The District's financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

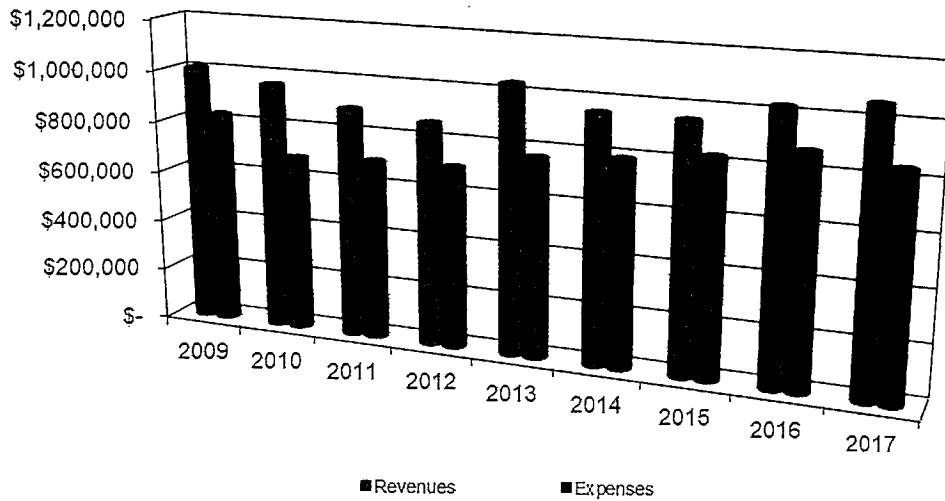
The *statement of net position* presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.



Little Lake Fire Protection District

**Management's Discussion and Analysis
For the year ended June 30, 2017**

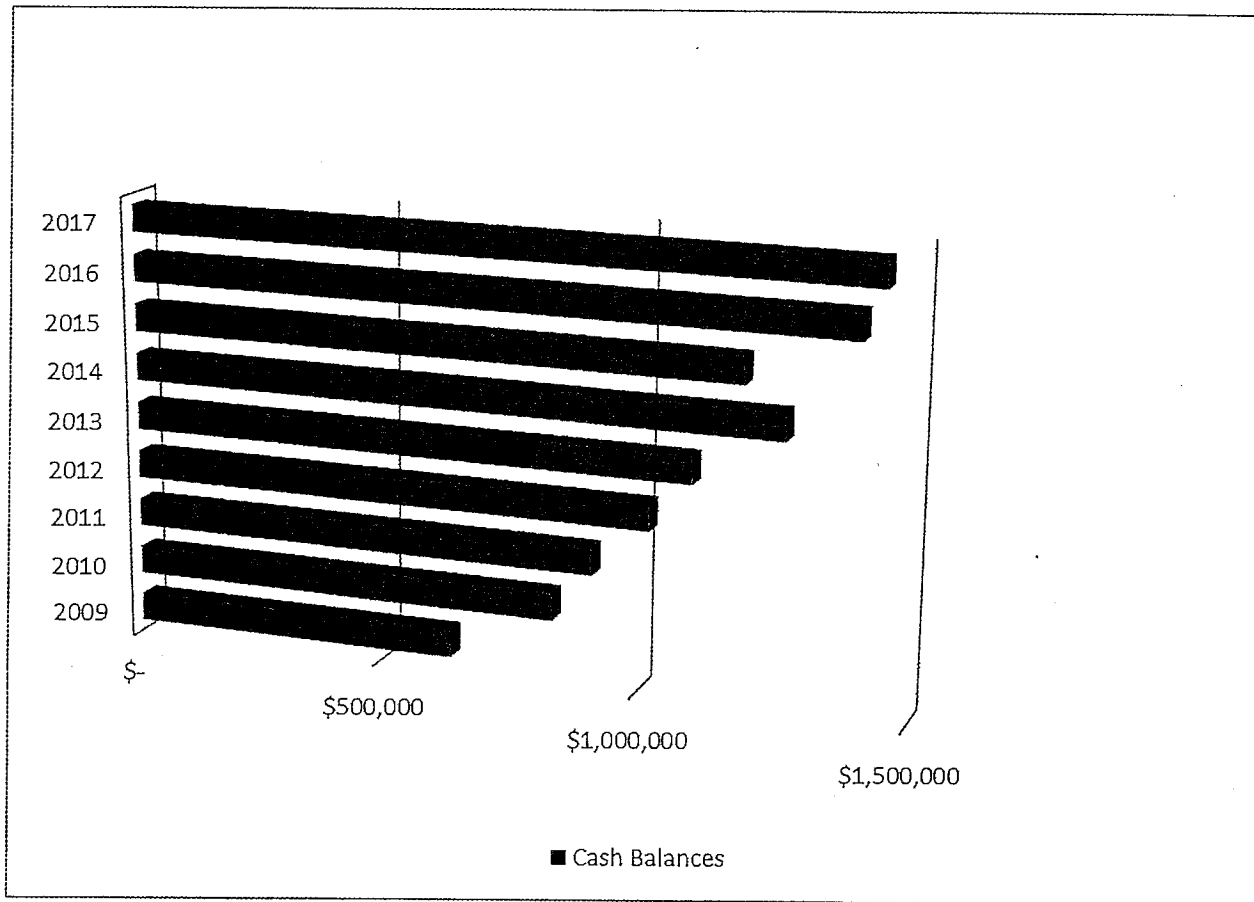
The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g., uncollected taxes and earned but unused vacation leave).



Little Lake Fire Protection District

**Management's Discussion and Analysis
For the year ended June 30, 2017**

The *Statement of Cash Flows* presents information showing how the District's cash changed during the most recent fiscal year. Observing the cash balances at the District's year-end shows the funds available to meet current operating needs, pay current liabilities, and meet the amount of capital improvements required to carry on the District's activities and objectives.



The government-wide financial statements report on the function of the District that is principally supported by intergovernmental revenues, and charges for services.

Fund Financial Statements

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. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District maintains one governmental fund (general fund). Information in the fund financial statements is presented separately for the general fund. The governmental funds statement provides a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

Little Lake Fire Protection District

**Management's Discussion and Analysis
For the year ended June 30, 2017**

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide financial statements.

The District has capital assets (e.g. land, structures, and equipment). Any investment in capital assets would restrict the use of assets for future spending. The unrestricted net assets of the District are available for future use to provide program services.

Budgetary Comparison

The District adopts an annual appropriated budget for the General Fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the District's budget for the 2017 fiscal year:

- Property tax rates
- Actual expenditures for 2016

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all citizens, taxpayers, customers, investors, and creditors. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Little Lake Fire Protection District, 74 E Commercial Street, Willits, California 95490.

GOVERNMENT FUNDS FINANCIAL STATEMENTS

Little Lake Fire Protection District

**Balance Sheet
June 30, 2017**

	<u>General Fund</u>
<u>ASSETS</u>	
<u>Assets:</u>	
Cash	\$ 1,440,833
Accounts Receivable	-
Deposits & Prepaid Expenses	<u>23,308</u>
 TOTAL ASSETS	 <u>1,464,141</u>
 <u>LIABILITIES & FUND BALANCES</u>	
<u>Liabilities:</u>	
Accounts Payable	17,930
Accrued Payroll	<u>2,702</u>
 TOTAL LIABILITIES	 <u>20,632</u>
 <u>Fund Balances:</u>	
Unassigned	321,284
Assigned	250
Unspendable	23,308
Committed	<u>1,098,667</u>
 Total Fund Balance	 <u>1,443,509</u>
 <u>TOTAL LIABILITIES & FUND BALANCE</u>	 <u><u>\$ 1,464,141</u></u>

The accompanying notes are an integral part of these financial statements.

**LITTLE LAKE FIRE PROTECTION DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION**

June 30, 2017

	June 30, 2017
Total Fund Balances - Governmental Funds	\$ 1,443,509
Capital Assets used in Governmental Funds are not financial resources and therefore are not reported as assets in the Governmental Funds.	
Total Historical Cost of Capital Assets	2,789,946
Less: Accumulated Depreciation	(1,908,146)
Compensated Absences are reported in the Government-Wide Statement of Net Assets, but they do not require the use of current financial resources. Therefore, the liability is not reported in Governmental Funds.	-
Deferred Outflows not due and receivable in the current period and therefore are not reported as an asset in the governmental funds. This is comprised of GASB 68 Pension Outflows. Deferred Outflows at June 30 was:	121,509
Deferred Inflows are not due in the current period and therefore, are not reported as liabilities in the governmental funds. This is comprised of GASB 68 Pension Inflows. Deferred Inflows at June 30 was:	(102,937)
Long-term liabilities are not due in the current period and therefore, are not reported as liabilities in the governmental funds.	(417,167)
Net Position	\$ 1,926,714

The accompanying notes are an integral part of these financial statements

Little Lake Fire Protection District

**Statement of Revenues, Expenditures & Change in Fund Balance
For the Year Ended
June 30, 2017**

<u>REVENUE</u>	<u>General Fund</u>
Tax Revenue	\$ 184,723
Special Assessment & Tax	624,518
Public Safety Sales Tax	22,815
Charges for Service	2,350
Rental Income	12,250
Interest & Investment Earnings	8,287
Grants & Contributions	3,064
Intergovernmental Revenue	184,625
Miscellaneous	16,116
TOTAL REVENUE	1,058,748
 <u>EXPENDITURES</u>	
Capital Assets	416,750
Debt Service:	
Principle	63,492
Interest	8,646
Salaries and Employee Benefits	593,725
Services, Supplies and Refunds	244,495
TOTAL EXPENDITURES	1,327,108
Excess (Deficit) Revenues over Expenditures	(268,360)
Other Financing Sources	290,717
<u>CHANGE IN FUND BALANCE</u>	22,357
<u>FUND BALANCE, BEGINNING OF YEAR</u>	1,421,152
<u>FUND BALANCE, END OF YEAR</u>	\$ 1,443,509

The accompanying notes are an integral part of these financial statements.

LITTLE LAKE FIRE PROTECTION DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

June 30, 2017

	<u>June 30, 2017</u>
Net Change in Fund Balances - Total Governmental Funds	<u>22,357</u>
Amounts reported for governmental activities in the Statement of Activities are different as follows:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets are allocated over the estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense during the year	
Current Year Capital Outlays	406,065
Less: Current Year Depreciation Expense	(62,189)
In the Governmental Funds CalPers expenditures are measured by the amount of financial resources used, which is the amounts actually paid. In the Government-Wide Statement of Activities, CalPers expenditures are measured by the amounts expensed during the year	
	79,010
In the Governmental Funds revenues are measured by the amount of financial resources received. In the Government-Wide Statement of Activities, revenues are measured by the amounts earned during the year	
	-
In the Governmental Funds compensated absences (sick pay and vacation) are measured by the amount of financial resources used, which is the amounts actually paid. In the Government-Wide Statement of Activities, compensated absences are measured by the amounts earned during the year	
	-
Repayment of principle on long-term liabilities is an expenditure for Governmental funds, but the repayment reduces long-term liabilities on the Government-Wide Statement of Net Position. Principle payments made on long-term liabilities during the year consist of:	
	63,492
In the Government Funds acquisition of long-term liabilities is recorded as other financing sources, but the acquisition increases long-term liabilities on the Government-Wide Statement of Net Position. The effect of acquisition of long-term liabilities during the year consists of:	
	<u>(290,717)</u>
Change in Net Position of Governmental Activities	<u>\$ 218,018</u>

The accompanying notes are an integral part of these financial statements

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Little Lake Fire Protection District

Statement of Net Position June 30, 2017

ASSETS

Current Assets:

Cash	\$ 342,166
Reserved Cash	1,098,667
Accounts Receivable	-
Deposits & Prepaid Expenses	23,308
	<hr/>
Total Current Assets	1,464,141

Capital Assets:

Land	46,311
Buildings & Improvements	390,520
Firefighting Equipment	137,874
Vehicles	1,905,195
Construction in Progress	310,046
Less: Accumulated Depreciation	(1,908,146)
	<hr/>
Total Capital Assets	881,800

TOTAL ASSETS 2,345,941

DEFERRED OUTFLOW

GASB 68 Pension 121,509

TOTAL DEFERRED OUTFLOW 121,509

TOTAL ASSETS AND DEFERRED OUTFLOWS 2,467,450

LIABILITIES

Current Liabilities:

Accounts Payable	17,930
Accrued Payroll Liabilities	2,702
Current Portion	60,352
	<hr/>
Total Current Liabilities	80,984

Long-term Liabilities:

Capital Lease	264,870
Net Pension Liability	91,945
	<hr/>
Total Long-term Liabilities	356,815

TOTAL LIABILITIES 437,799

DEFERRED INFLOWS

GASB 68 Pension 102,937

TOTAL DEFERRED INFLOWS 102,937

TOTAL LIABILITIES AND DEFERRED INFLOWS 540,736

NET POSITION

Net Investment in Capital Assets	556,578
Unrestricted	1,370,136
	<hr/>
TOTAL NET POSITION	\$ 1,926,714

The accompanying notes are an integral part of these financial statements.

Little Lake Fire Protection District
Statement of Activities
For the Year-Ended
June 30, 2017

	Operating Revenues			Capital Grants and Contributions	Excess of Revenues/(Expenses)
Expenses	Charges for Services	Strike Team			
Governmental Activities					
Public Protection	\$ 772,895	\$ 2,350	\$ 184,625	\$ 3,064	\$ (582,856)
Interest on Long-Term Debt	8,646	-	-	-	(8,646)
Depreciation (Unallocated)	62,189	-	-	-	(62,189)
Total Governmental Activities					(653,691)
General Revenues:					
Tax Revenue					184,723
Public Safety Sales Tax					22,815
Special Assessment & Tax					624,518
Rental Income					12,250
Interest & Investment Earnings					8,287
Miscellaneous					16,116
Total General Revenues					868,709
NET CHANGE IN NET POSITION					215,018
NET POSITION, BEGINNING OF YEAR					1,711,696
NET POSITION, END OF YEAR					\$ 1,926,714

The accompanying notes are an integral part of these financial statements.

Little Lake Fire Protection District

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 1: SUMMARY OF GENERAL AND SIGNIFICANT ACCOUNTING POLICIES

A. General

The District was formed under the provisions of Division 12, Part 3 of the Health and Safety Code of the State of California. Little Lake Fire Protection District is a special district in the County of Mendocino, California, providing Fire Protection to residents within its boundaries. The boundaries of the District encompasses an area including the City of Willits and its surroundings .

The District is a governed entity administered by a Board of Directors (the Board) that acts as the authoritative and legislative body of the entity.

The Board appoints the Chair (person) of the Board from existing board members. The Chair's responsibilities are to preside at all meetings of the Board; perform all duties commonly incident to the position of presiding officer of a board.

The accompanying general-purpose financial statements comply with the provisions of GASB Statement No. 14, "*The Financial Reporting Entity*," in that the financial statements include all organizations, activities, and functions that comprise the District. Component units are legally separate entities for which the District (the primary entity) is financially accountable. Financial accountability is defined as the ability to appoint a voting majority of the organization's governing body and either (1) the District's ability to impose its will over the organization or (2) the potential that the organization will provide a financial benefit to, or impose a financial burden on, the District. Using these criteria, the District has no component units.

B. 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.

C. Government-Wide Financial Statements

The District Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities and Changes in Net Position. 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 they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as

Little Lake Fire Protection District

NOTES TO FINANCIAL STATEMENTS June 30, 2017

program revenues for the District are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

D. Governmental Fund Financial Statements

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net assets presented in the Government-Wide financial statements. The District has presented all major funds that met those qualifications.

All 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, Expenditures 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, intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities demonstrating the degree to which the direct expenses of a given project are offset by project revenues. Direct expenses are those that are specifically associated with a program or function and therefore, are clearly identifiable to a particular function or segment. Program revenues include (1) charges paid by the recipients of services offered by the program and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including taxes are presented instead as general revenues.

Governmental Funds – Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental assets and liabilities is reported as net assets. The District reports using the major governmental fund of General Fund. The District reports the following major governmental funds:

Little Lake Fire Protection District

NOTES TO FINANCIAL STATEMENTS June 30, 2017

General Fund – The General Fund is used to account for all financial resources of the District. The general fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of California and the bylaws of the District.

Exchange and Non-Exchange Transactions of Revenues – Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Non-exchange transactions, in which the District receives value without directly giving value in return, include taxes and donations. Revenues are recognized when susceptible to accrual, when they become both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes as available if they are collected within 60 days after year-end. The assessor of the County of Mendocino determines the assessed valuations of such property and the tax collector of the County collects the taxes. On an accrual basis, revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis.

Expenses/Expenditures- On an accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable.

E. Budgets and Budgetary Accounting

The District operates under the general laws of the State of California and annually adopts a budget to be effective July 1 for the ensuing fiscal year. Formal budgetary integration is employed as a management control device during the year for the General Fund. The level of control (level at which expenditures may not exceed budget) is the fund. Unused appropriations for all the above annually budgeted funds lapse at the end of the fiscal year. Budgeted amounts are the final authorized amount as revised during the year. Actual revenues and expenditures can be compared with related budgeted amounts without any significant reconciling items to the General Fund.

F. Cash

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition, To maximize investment opportunities, the District participate in a pooling of cash and investment income with other local agencies. Each fund may liquidate its equity in the pool on demand. Investments are recorded at fair value, Fair value is based on quoted market prices.

Little Lake Fire Protection District

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

As of Little Lake Fire Protection District, the primary government had the following investments:

	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Agency</u>
Cash in County Treasury	\$1,350,224	Unrated	NA
Cash in Local Bank	90,358	FDIC ins.	NA
Cash on Hand	<u>250</u>	Unrated	NA
Total Cash	\$1,440,833		

Interest rate risk. - The District's policy is to seek market rates in a manner that meets liquidity requirements of the District at all times.

Credit risk. - The District only invests at institutions that the treasurer has selected on the basis of credit worthiness, financial strength and minimal capitalization authorized to provide investment service.

Custodial credit risk. -The District's investment in the State and County Treasurer's investment pools represents a proportionate interest in the pool's portfolio; however, the District's portion is not identified with specific investments and is not subject to custodial credit risk. Cash in local bank is covered by federal depository insurance.

Concentration of credit risk. - The District has a policy that seeks to maintain capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

G. Accounts Receivable

On an accrual basis, revenues from charges for services are recognized in the fiscal year in which the services are rendered. Receivables are resources provided to the District on a reimbursement basis.

H. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

I. Capital Assets

Capital assets, which include property, plant, and equipment, infrastructure assets and intangible are reported in the applicable governmental -type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an estimated useful life in excess of one year. Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Donated or contributed capital assets are recorded at their estimated fair value on the date received. The District maintains a capitalization threshold of \$2,000.

The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as

Little Lake Fire Protection District

**NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

applicable.

J. Accounts Payable and Other Current Liabilities

On an accrual basis, expenditures are recognized in the fiscal year in which the services are received.

K. Notes Payable

The accounting treatment of long-term liabilities depends on whether the assets are used in governmental fund operations or whether they are reported in the government-wide or fund financial statements.

All long-term liabilities to be repaid from the governmental resources are reported as liabilities in the government-wide statements. The long-term liabilities consist of mortgages, equipment leases and unfunded workmen's compensation liability.

Long-term liabilities for governmental funds are not reported as a liability in the fund financial statements. The liability proceeds are reported as other financing sources and payments of principal and interest as expenditures.

Little Lake Fire Protection District has an obligation to Municipal Finance bearing interest at 4.78%. The loan is payable in annual installments of \$35,836.97, including interest, and is collateralized by Rural Fire Pumper.

Principal and interest payments for the years following June 30, 2016, are as follows:

	<u>Principal</u>	<u>Interest</u>
2018	32,642	3,195
2019	34,202	1,635
	<hr/>	<hr/>
	66,844	4,830
	<hr/> <hr/>	<hr/> <hr/>

L. Net Position

The District's net position represents the difference between its assets and liabilities in the statement of net position. Net Position are reported as restricted with there are legal limitations imposed on their use by their source. Portions of the unreserved net assets or fund balance may be designated to indicate tentative plans for financial resources utilization in a future period, such as for general contingencies, purchase of capital assets, or debt service. Such plans or intent are subject to change and may never be legally authorized or result in expenses.

Little Lake Fire Protection District

NOTES TO FINANCIAL STATEMENTS June 30, 2017

M. Property Tax Revenue

The District assesses tax through the Mendocino County tax rolls. Property taxes attach as an enforceable lien on property as of March 1. Taxes are levied on July 1 and payable in two installments on December and April, for the secured roll. The unsecured roll is due August 31. All taxes become delinquent if not paid on the due dates.

N. Special Tax Revenue

On November 5, 2002, the voters of Little Lake Fire Protection District approved a special tax of \$ 30 with a maximum of \$ 60 per unit established by the District. The special assessment tax was increased to \$ 60 per unit effective for the fiscal year beginning July 1, 2007.

O. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2: USE OF RESTRICTED/UNRESTRICTED POSITION

When an expense is incurred for purposes for which both restricted and unrestricted assets are available, the District's policy is to apply restricted assets first.

NOTE 3: COMPARATIVE DATA AND RECLASSIFICATIONS

Comparative data for the prior year have been presented in certain sections of the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with current year's presentation.

NOTE 4 - DEFINED BENEFIT PENSION PLAN (UNAUDITED)

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

For purposes of measuring the net pension liability, deferred outflows of resources and deferred

Little Lake Fire Protection District

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the PERS and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Summary of Significant Accounting Policies

For Purposes of Measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this Purpose, benefit payments (including refunds of employee contributions) are recognized when currently 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.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report the following timeframes are used.

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

General Information about the Pension Plan

Plan Description, Benefits Provided and Employees Covered

The Plan is a cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). A full description of the pension plan benefit provisions, assumptions for funding purposes but not accounting purposes, and membership information is listed in the June 30, 2014 actuarial valuation report. This report is a publicly available valuation report that can be obtained at CalPERS' website under Forms and Publications.

Contribution Description

Section 20814(c) of the California Public Employees' Retirement Law (PERL) 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 a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. For Public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, 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 the employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the

Little Lake Fire Protection District

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2015 (the measurement date), the active employee contribution rate is 8.980 percent of annual pay, and the average employer's contribution rate is 21.669 percent of annual payroll for safety and the active employee contribution rate is 6.891 percent of annual pay, and the average employer's contribution rate is 13.292 percent of annual payroll for miscellaneous. Employer contributions rates may change if plan contracts are amended. It is the responsibility of the employer to make necessary accounting adjustments to reflect the impact due to any Employer Paid Member Contributions or situations where members are paying a portion of the employer contribution.

Actuarial Methods and Assumptions Used to determine Total Pension Liability

For the measurement period ending June 30, 2015 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2014 total pension liability. Both the June 30, 2014 total pension liability and the June 30, 2015 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	7.50%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes inflation
Mortality Rate Table ¹	Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

¹The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan,

Little Lake Fire Protection District

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report call the "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate was resulted in a slightly higher total pension liability and net pension liability. This difference was deemed immaterial to the Public Agency Cost-Sharing Multi-Employer Defined Benefit Pension Plan. However, employers may determine the impact at the plan level for there own financial reporting purposes.

CalPERS is Scheduled to review all actuarial assumptions as part of its regular Asset Liability Management review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations though at least the 2017-2018 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

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) are developed for each major asset class.

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

Pension Plan Fiduciary Net Position

Little Lake Fire Protection District

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

The plan fiduciary net position disclosed in your GASB 68 accounting valuation report may differ from the plan assets reported in your funding actuarial valuation report due to several reasons. First, for the accounting valuations, CalPERS must keep items such as deficiency reserves, fiduciary self-insurance and OPEB expense included in fiduciary net position. These amounts are excluded for rate setting purposes in your funding actuarial valuation. In addition, differences may result from early CAFR closing and final reconciled reserves.

Allocation of Net Pension Liability and Pension Expense to Individual Plans

A key aspect of GASB 68 pertaining to cost-sharing employers is the establishment of an approach to allocate the net pension liability and pension expense to the individual employers within the risk pool. Paragraph 49 of GASB 68 indicates that for pools where contribution rates within the pool are based on separate relationships, the proportional allocation should reflect those relationships. The allocation method utilized by CalPERS determines the employer's share by reflecting these relationships through the plans they sponsor within the risk pool. Plan liability and asset-related information are used where available, and proportional allocations if individual plan amounts as of the valuation date are used where not available.

Please refer to the CalPERS Public Agency Cost-Sharing Allocation Methodology Report that can be obtained at CalPERS' website under the GASB 68 section, and see Appendix D of this report for the calculation of the plan's proportionate share of the TPL and FNP.

Recognition of Gains and Losses

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pension and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Difference between projected and actual earnings 5 year straight-line amortization

All other amounts Straight-line amortization over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of participants (active, inactive and retired) in PERF C.

Little Lake Fire Protection District

NOTES TO FINANCIAL STATEMENTS June 30, 2017

The EARSL for the 2013-14 measurement period is 3.8 years, which was obtained by dividing total service years 460,700 (the sum of remaining service lifetimes of the active employees) by 122,789 (the total number of participants: active, inactive, and retired). Note that inactive employees are retirees have remaining service lifetimes equal to 0. Also, note that total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

Pension Expense and Deferred Outflows and Deferred Inflows

At 6/30/2017, proportionate shares of net pension liability by plan(s):			
	Proportionate Share of Net Pension Liability		
Miscellaneous	14,768		
Safety	77,178		
Total	91,945		
At 6/30/2016, proportionate share of the net pension liability for the Plan as of 6/30/2015 and 6/30/2016:			
	Miscellaneous	Safety	Total
Proportion - June 30, 2015	-0.00141%	0.00022%	-0.00043%
Proportion - June 30, 2016	0.00043%	0.00149%	0.00106%
Change - Increase/(Decrease)	0.00184%	0.00127%	0.00149%
<p>Note: Due to the nature of calculating proportionate share of the net pension liability, total proportion for all employer plans will not equal the sum of the miscellaneous proportion % and the safety proportion %</p>			
Pension Expense/(Credit) as of 6/30/2017			
6/30/2017 reported deferred outflows of resources and deferred inflows of resources related to pensions:			
	Deferred Outflows of Resources	Deferred Inflows of Resources	
Differences between Expected and Actual Experience Changes of Assumptions	-	1,662	
Differences between Projected and Actual Investment Earnings	40,792	-	
Differences between Employer's Contributions and Proportionate Share of Contributions	26,919	5,192	
Change in Employer's Proportion	27,021	87,823	
Pension Contributions Made Subsequent to Measurement Date	26,778	-	
	<u>121,509</u>	<u>102,937</u>	
Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expenses as follows:			
Fiscal Year Ending June 30:	Miscellaneous	Safety	Total
2018	\$ 4,150	\$ (29,618)	\$ (25,469)
2019	4,521	(22,132)	(17,611)
2020	5,558	18,702	24,259
2021	1,005	9,609	10,614
2022	-	-	-
Thereafter	-	-	-
	<u>15,233</u>	<u>(23,439)</u>	<u>\$ (8,206)</u>
Sensitivity of the Proportionate Share of the Net Pension Liability/(Asset) to Changes in the Discount Rate:			
	Discount Rate -1% 6.65%	Current Discount Rate 7.65%	Discount Rate +1% 8.65%
Employer's Net Pension Liability/(Asset) - Miscellaneous	46,169	14,768	(11,184)
Employer's Net Pension Liability/(Asset) - Safety	238,817	77,178	(55,511)
Employer's Net Pension Liability/(Asset) - Total	284,986	91,945	(66,695)

NOTE 5: RISK MANAGEMENT

Little Lake Fire Protection District

**NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

The District is exposed to various risks of loss related to torts; damage to, and theft or destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2017, the District contracted with private insurance for liability, property, crime damage, and employee and director insurances.

NOTE 6: CONTIGENCIES

As of June 30, 2016, the District did not have any pending litigation or potential nondisclosed liabilities that management believes would have a material effect on the financial statements.

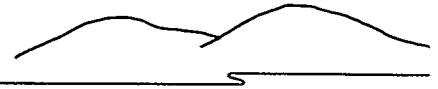
NOTE 7: SUBSEQUENT EVENTS

The District's management has evaluated events and transactions subsequent to June 30, 2017 for potential recognition or disclosure in the financial statements. Subsequent events have been evaluated through **November 30, 2017**, the date the financial statements became available to be issued. The entity has not evaluated subsequent events after **November 30, 2017**.

Little Lake Fire Protection District

Supplemental Information

June 30, 2017



November 30, 2017

Board of Directors
Little Lake Fire Protection District

Willits, CA

INDEPENDENT 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

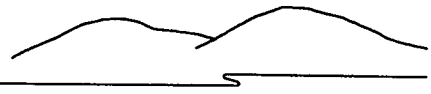
We have audited the financial statements of Little Lake Fire Protection District as of and for the year ended June 30, 2017, and have issued our report thereon dated November 30, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Little Lake Fire Protection District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Little Lake Fire Protection District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Little Lake Fire Protection District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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 material weakness is a deficiency, or a combination of deficiencies, in internal controls such 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 the internal controls over financial reporting was for the limited purpose described in the first paragraph of this section and was designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.



INDEPENDENT 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

(continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Little Lake Fire Protection District's general-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, others within the organization, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Pehling & Pehling CPAs
An Accountancy Corporation

Little Lake Fire Protection District

**Statement of Revenues, Expenditures & Change in Fund Balance
Budget and Actual - General Fund
For the Year Ended
June 30, 2017**

<u>REVENUE</u>	<u>Final Budget</u>	<u>General Fund</u>	<u>Variance</u>
Tax Revenue	\$ 179,173	\$ 184,723	\$ 5,550
Special Assessment & Tax	628,530	624,518	(4,012)
Public Safety Sales Tax	-	22,815	22,815
Charges for Service	-	2,350	2,350
Rental Income	12,420	12,250	(170)
Interest & Investment Earnings	5,000	8,287	3,287
Grants & Contributions	10,000	3,064	(6,936)
Intergovernmental Revenue	33,500	184,625	151,125
Miscellaneous	11,950	16,116	4,166
TOTAL REVENUE	<u>880,573</u>	<u>1,058,748</u>	<u>178,175</u>
 <u>EXPENDITURES</u>			
Capital Assets	118,790	440,404	(321,614)
Debt Service:			
Principle	35,837	63,492	(27,655)
Interest	-	8,646	(8,646)
Salaries and Employee Benefits	477,831	593,725	(115,894)
Services, Supplies and Refunds	250,736	244,495	6,241
TOTAL EXPENDITURES	<u>883,194</u>	<u>1,350,762</u>	<u>(467,568)</u>
Excess (Deficit) Revenues over Expenditures	<u>(2,621)</u>	<u>(292,014)</u>	
Other Financing Sources		<u>314,371</u>	
<u>CHANGE IN FUND BALANCE</u>	<u>(2,621)</u>	<u>22,357</u>	
<u>FUND BALANCE, BEGINNING OF YEAR</u>	<u>1,421,152</u>	<u>1,421,152</u>	
<u>FUND BALANCE, END OF YEAR</u>	<u>\$ 1,418,531</u>	<u>\$ 1,443,509</u>	

