

**LAKEPORT FIRE  
PROTECTION DISTRICT,  
CALIFORNIA**

**FINANCIAL STATEMENTS  
TOGETHER WITH  
INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED  
JUNE 30, 2015**

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**LAKEPORT FIRE PROTECTION DISTRICT**  
**Annual Financial Report**  
**For the Year Ended June 30, 2015**

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## **INTRODUCTORY SECTION**

- **List of Officials**

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**LAKEPORT FIRE PROTECTION DISTRICT**  
**Board of Directors**  
**For the Year Ended June 30, 2015**

John Whitehead	Chairman
Bill Whipple	Vice Chairman
Gerry Mills	Director
Donald Davidson	Director
Randall Williams	Director

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## **FINANCIAL SECTION**

- **Independent Auditor's Report**
- **Basic Financial Statements**
- **Supplementary Information**

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Lakeport Fire Protection District  
Lakeport, California

**Report on the Financial Statements**

We have audited the accompanying modified cash basis financial statements of the governmental activities and each major fund of Lakeport Fire Protection District, California (District), as of and for the year ended June 30, 2015, 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 the modified cash basis of accounting described in Note 1C; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's 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 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

To the Board of Directors  
Lakeport Fire Protection District  
Lakeport, California

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities and each major fund of the District as of June 30, 2015, and the respective changes in modified cash basis financial position, thereof for the year then ended in conformity with the basis of accounting described in Note 1C.

## **Basis of Accounting**

We draw attention to Note 1C of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## **Emphasis of Matter**

As described in Note 1N to the financial statements, in 2015, the District implemented Governmental Accounting Standards Board (GASB) Statement Nos. 68, 69, and 71. The implementation of GASB 68 and 71 resulted in the restatement of beginning net position for the year ended June 30, 2015. Our opinion is not modified with respect to these matters.

As reported in Note 10, the net pension liability is measured as of June 30, 2014, and the pension expense is for the measurement period 2013-14. Our opinion is not modified with respect to this matter.

## **Report on Supplementary and Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise the District's basic financial statements. The District Pension Plans - Schedule of Proportionate Share of the Net Pension Liability, District Pension Plans - Schedule of Contributions, District OPEB Plan - Schedule of Funding Progress, and budgetary comparison information are presented for purposes of additional analysis and are not a required part of the basic financial statements.


Such information is the responsibility of management and was derived from and relates 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole on the basis of accounting described in Note 1C.

The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

To the Board of Directors  
Lakeport Fire Protection District  
Lakeport, California

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated March 15, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

  
Smith & Newell, CPAs  
Yuba City, California  
March 15, 2016

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## **Basic Financial Statements**

- **Government-Wide Financial Statements**

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**LAKEPORT FIRE PROTECTION DISTRICT**  
**Modified Cash Basis Statement of Net Position**  
**June 30, 2015**

	<b>Total Governmental Activities</b>
<b>ASSETS</b>	
Cash and investments	\$ 862,986
Capital assets:	
Non-depreciable	502,879
Depreciable, net	1,436,755
Total capital assets	<u>1,939,634</u>
<b>Total Assets</b>	<u>2,802,620</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension adjustments	<u>331,820</u>
<b>Total Deferred Outflows of Resources</b>	<u>331,820</u>
<b>LIABILITIES</b>	
Long-term liabilities:	
Due within one year	181,589
Due in more than one year	<u>1,506,231</u>
<b>Total Liabilities</b>	<u>1,687,820</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension adjustments	<u>357,689</u>
<b>Total Deferred Inflows of Resources</b>	<u>357,689</u>
<b>NET POSITION</b>	
Investment in capital assets	1,710,322
Restricted for capital projects	85,255
Unrestricted	<u>(706,646)</u>
<b>Total Net Position</b>	<u><u>\$ 1,088,931</u></u>

The notes to the basic financial statements are an integral part of this statement.

**LAKEPORT FIRE PROTECTION DISTRICT**  
**Modified Cash Basis Statement of Activities**  
**For the Year Ended June 30, 2015**

<u>Functions/Programs</u>	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	
Governmental activities:					
Public protection	\$ 2,466,378	\$ 1,504,745	\$ 378,612	\$ -	\$ (583,021)
Interest on long-term debt	4,232	-	-	-	(4,232)
<b>Total Governmental Activities</b>	2,470,610	1,504,745	378,612	-	(587,253)
<b>Total</b>	\$ 2,470,610	\$ 1,504,745	\$ 378,612	\$ -	(587,253)
<b>General revenues:</b>					
Taxes:					
Property taxes					746,902
Interest and investment earnings					5,361
Miscellaneous					14,271
					766,534
					<b>Change in Net Position</b>
					179,281
					<b>Net Position - Beginning</b>
					2,192,642
					Cumulative effect of a change in accounting principle
					(1,282,992)
					<b>Net Position - Beginning, Restated</b>
					909,650
					<b>Net Position - Ending</b>
					\$ 1,088,931

The notes to the basic financial statements are an integral part of this statement.

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## **Basic Financial Statements**

- **Fund Financial Statements**

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**LAKEPORT FIRE PROTECTION DISTRICT**  
**Modified Cash Basis Balance Sheet**  
**Governmental Funds**  
**June 30, 2015**

	<b>General</b>	<b>Mitigation Fees</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and investments	\$ 777,731	\$ 85,255	\$ 862,986
<b>Total Assets</b>	\$ 777,731	\$ 85,255	\$ 862,986
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ -	\$ -
<b>Total Liabilities</b>	-	-	-
<b>FUND BALANCES</b>			
Restricted	-	85,255	85,255
Assigned	296,118	-	296,118
Unassigned	481,613	-	481,613
<b>Total Fund Balances</b>	777,731	85,255	862,986
<b>Total Liabilities and Fund Balances</b>	\$ 777,731	\$ 85,255	\$ 862,986

The notes to the basic financial statements are an integral part of this statement.

**LAKEPORT FIRE PROTECTION DISTRICT**  
**Reconciliation of the Governmental Funds Modified Cash Basis**  
**Balance Sheet to the Government-Wide Modified Cash Basis**  
**Statement of Net Position - Governmental Activities**  
**June 30, 2015**

<b>Total Fund Balance - Total Governmental Funds</b>	<b>\$ 862,986</b>
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheets.	1,939,634
Deferred outflows of resources related to pensions are not reported in the governmental funds.	331,820
Deferred inflows of resources related to pensions are not reported in the governmental funds.	(357,689)
Certain liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds.	
Capital leases payable	(229,312)
Compensated absences	(147,121)
Net pension liability	(1,161,538)
Net OPEB obligation	(149,849)
<b>Net Position of Governmental Activities</b>	<b><u>\$ 1,088,931</u></b>

The notes to the basic financial statements are an integral part of this statement.

**LAKEPORT FIRE PROTECTION DISTRICT**  
**Modified Cash Basis Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2015**

	<b>General</b>	<b>Mitigation Fees</b>	<b>Total</b>
<b>REVENUES</b>			
Taxes	\$ 746,902	\$ -	\$ 746,902
Licenses and permits	8,040	-	8,040
Use of money and property	4,953	408	5,361
Intergovernmental revenues	378,612	-	378,612
Charges for services	1,456,807	39,898	1,496,705
Other revenues	14,271	-	14,271
<b>Total Revenues</b>	<u>2,609,585</u>	<u>40,306</u>	<u>2,649,891</u>
<b>EXPENDITURES</b>			
Current:			
Personal services and benefits	1,936,431	-	1,936,431
Services and supplies	431,000	-	431,000
Debt service:			
Principal	37,564	-	37,564
Interest and other charges	4,232	-	4,232
Capital outlay	640,954	-	640,954
<b>Total Expenditures</b>	<u>3,050,181</u>	<u>-</u>	<u>3,050,181</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>(440,596)</u>	<u>40,306</u>	<u>(400,290)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	66,434	-	66,434
Transfers out	-	(66,434)	(66,434)
Issuance of debt	261,923	-	261,923
<b>Total Other Financing Sources (Uses)</b>	<u>328,357</u>	<u>(66,434)</u>	<u>261,923</u>
<b>Net Change in Fund Balance</b>	<u>(112,239)</u>	<u>(26,128)</u>	<u>(138,367)</u>
<b>Fund Balance - Beginning</b>	<u>889,970</u>	<u>111,383</u>	<u>1,001,353</u>
<b>Fund Balance - Ending</b>	<u>\$ 777,731</u>	<u>\$ 85,255</u>	<u>\$ 862,986</u>

The notes to the basic financial statements are an integral part of this statement.

**LAKEPORT FIRE PROTECTION DISTRICT**  
**Reconciliation of the Modified Cash Basis Statement of**  
**Revenues, Expenditures, and Changes in Fund Balances of**  
**Governmental Funds to the Government-Wide Modified Cash**  
**Basis Statement of Activities - Governmental Activities**  
**For the Year Ended June 30, 2015**

**Net Change in Fund Balances - Total Governmental Funds** \$ (138,367)

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

Governmental funds report capital outlays 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 outlay	640,954
Less current year depreciation	(137,558)

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal retirements	37,564
Proceeds from issuance of debt	(261,923)

Certain changes in deferred outflows and deferred inflows of resources reported in the Statement of Activities relate to long-term liabilities and are not reported in the governmental funds.

Change in deferred outflows of resources related to pensions	118,827
Change in deferred inflows of resources related to pensions	(357,689)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Change in compensated absences	(16,825)
Change in net pension liability	334,447
Change in net OPEB obligation	(40,149)

**Change in Net Position of Governmental Activities** \$ 179,281

The notes to the basic financial statements are an integral part of this statement.



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## **Basic Financial Statements**

- **Notes to Modified Cash Basis Financial Statements**

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**LAKEPORT FIRE PROTECTION DISTRICT**  
**Notes to Modified Cash Basis Financial Statements**  
**For the Year Ended June 30, 2015**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Lakeport Fire Protection District was organized pursuant to Section 14001-14314 of the California Health and Safety Code. Local Agency Formation Commission of Lake Co. (LAFCO) Certificate of Completion for the annexation of the City of Lakeport Fire Department by the Lakeport County Fire Protection District was dated 7/2/1999 and was recorded on 11/22/1999. In November 2002, the Board of Directors approved changing the District's name to the Lakeport Fire Protection District. The District provides fire protection services to the Lakeport and Finley areas of Lake County.

Generally accepted accounting principles require government financial statements to include the primary government and its component units. Component units of a governmental entity are legally separate entities for which the primary government is considered to be financially accountable and for which the nature and significance of their relationship with the primary government are such that exclusion would cause the combined financial statements to be misleading. The primary government is considered to be financially accountable if it appoints a majority of an organization's governing body and is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the primary government.

**Component Units**

Based on the application of the criteria set forth by the Governmental Accounting Standards Board, management has determined that there are no component units of the District.

**Joint Agencies**

The District is a participant in Fire District's Association of California - Fire Agencies Self Insurance System, the purpose of which is to provide workers' compensation benefits to each member agency including claims administration and program administration. FDAC-FASIS is composed of approximately 200 members and is governed by a board of directors appointed by the members. Complete financial information can be obtained from the Association office at 1831 K Street, Sacramento, California 95814. The District is not financially accountable for this organization and therefore it is not a component unit under Statement Nos. 14, 39, and 61 of the Governmental Accounting Standards Board.

**B. Basis of Presentation**

**Government-Wide Financial Statements**

The statement of net position and statement of activities display information on all of the activities of the District. These statements include the financial activities of the overall District. Eliminations have been made to minimize the double counting of internal activities. These statements report the governmental activities of the District, which are normally supported by taxes and intergovernmental revenues. The District had no business-type activities at June 30, 2015.

**LAKEPORT FIRE PROTECTION DISTRICT**  
**Notes to Modified Cash Basis Financial Statements**  
**For the Year Ended June 30, 2015**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Basis of Presentation (Continued)**

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

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and therefore, are clearly identifiable to a particular function. Program revenues include 1) charges paid by the recipients of goods and services offered by the program, 2) operating grants and contributions, and 3) capital grants and contributions. Taxes and other items not properly included among program revenues are presented instead as general revenues.

**Fund Financial Statements**

Fund financial statements of the District are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. The funds of the District are organized into the governmental category. The emphasis is placed on major funds within the governmental category.

The District reports the following major governmental funds:

- The General fund is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the District.
- The Mitigation Fees fund is a special revenue fund used to account for revenues and expenditures related to mitigation fees. Funding comes primarily from mitigation fees collected and interest earnings.

**C. Basis of Accounting and Measurement Focus**

The government-wide financial statements are reported using the economic resources measurement focus and the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. This basis of presentation differs from accounting principles generally accepted in the United States of America (GAAP) in that certain revenues are recognized when received rather than when earned and certain expenses are recognized when paid rather than when the obligation is incurred. Such variances are presumed to be material. However similar to financial statements prepared in accordance with GAAP, these financial statements reflect the capitalized cost of equipment and related depreciation, and long-term debt.

Governmental funds are reported using the current financial resources measurement focus, within the limitations of the modified cash basis of accounting. In the governmental funds general capital asset acquisitions are reported as expenditures and proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

**LAKEPORT FIRE PROTECTION DISTRICT**  
**Notes to Modified Cash Basis Financial Statements**  
**For the Year Ended June 30, 2015**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Non-Current Governmental Assets/Liabilities**

Non-current governmental assets and liabilities, such as capital assets and long-term liabilities, are reported in the governmental activities column in the government-wide statement of net position.

**E. Cash and Investments**

The District pools cash and investments other than cash on hand and cash in the checking account with the County of Lake. The Lake County Treasury is an external investment pool for the District and the District is considered an involuntary participant. Each fund's share in this pool is displayed in the accompanying financial statements as cash and investments.

Participant's equity in the investment pool is determined by the dollar amount of participant deposits, adjusted for withdrawals and distributed investment income. Investment income is determined on the amortized cost basis. Amortized premiums and accreted discounts, accrued interest, and realized gains and losses, net of expenses, are apportioned to pool participants every quarter based on the participant's average daily cash balance at quarter end in relation to the total pool investments. This method differs from the fair value method used to value investments in these financial statements. In these financial statements, the fair value of the District's investments in the pool was based on unaudited quoted market values as provided by the County Treasurer. The pool has not provided or obtained any legally binding guarantees during the period to support the value of the investments.

The County has established a Treasury Oversight Committee to monitor and review the management of public funds maintained in the investment pool in accordance with the County investment policy and the California Government Code. The oversight committee and the Board of Supervisors review and approve the investment policy annually. The County Treasurer prepares and submits a comprehensive investment report to the members of the oversight committee and the Board of Supervisors every month. The report covers the type of investments in the pool, maturity dates, par value, actual cost and fair value.

Required disclosure information regarding categorization of investments and other deposit and investment risk disclosures can be found in the County's financial statements. The County of Lake's financial statements may be obtained by contacting the County of Lake Auditor-Controller's Office at 255 North Forbes Street, Lakeport, CA 95453.

**F. Inventory**

Inventories are recorded as expenditures at the time the inventory is purchased rather than when consumed. Records are not maintained of inventory and supplies on hand, although these amounts are not considered material.

**G. Capital Assets**

Capital assets, which include property, plant and equipment, are defined by the District as assets with a cost of more than \$5,000. Capital assets are recorded at historical or estimated historical cost if actual historical cost is unavailable. Contributed capital assets are recorded at their estimated fair market value at the date of donation.

**LAKEPORT FIRE PROTECTION DISTRICT**  
**Notes to Modified Cash Basis Financial Statements**  
**For the Year Ended June 30, 2015**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**G. Capital Assets (Continued)**

Capital assets used in operations are depreciated or amortized using the straight-line method over the assets estimated useful life in the government-wide financial statements. The range of estimated useful lives by type of asset is as follows:

<u>Depreciable Asset</u>	<u>Estimated Lives</u>
Equipment	5-20 years
Structures and Improvements	10-25 years

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

**H. Property Tax**

Lake County is responsible for the collection and allocation of property taxes. Under California law, property taxes are assessed and collected by the County of Lake up to 1 percent of the full cash value of taxable property, plus other increases approved by the voter and distributed in accordance with statutory formulas.

The valuation/lien date for all taxes is January 1. Secured property tax is due in two installments, the first is due November 1 and delinquent with penalties after December 10; the second is due February 1 and delinquent with penalties after April 10. Unsecured property tax are due on March 1, and become delinquent, if unpaid on August 31.

The County uses the alternative method of property tax apportionment known as the “Teeter Plan”. Under this method of property tax apportionment, the County remits the entire amount levied and handles all delinquencies, retaining interest and penalties.

**I. Interfund Transactions**

Interfund transactions are reflected as either loans, services provided or used, reimbursements or transfers.

Loans reported as receivables and payables are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion of interfund loans) as appropriate and are subject to elimination upon consolidation. Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance account in applicable governmental funds to indicate that they are not in spendable form.

Services provided or used, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. These services provide information on the net cost of each government function and therefore are not eliminated in the process of preparing the government-wide statement of activities.

**LAKEPORT FIRE PROTECTION DISTRICT**  
**Notes to Modified Cash Basis Financial Statements**  
**For the Year Ended June 30, 2015**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**I. Interfund Transactions (Continued)**

Reimbursements occur when the funds responsible for particular expenditures or expenses repay the funds that initially paid for them. Such reimbursements are reflected as expenditures or expenses in the reimbursing fund and reductions to expenditures or expenses in the reimbursed fund.

All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide presentation.

**J. Compensated Absences**

The District has adopted the requirements for recording compensated absences as outlined in GASB Statement No. 16. The District's policy regarding compensated absences is to permit employees to accumulate earned but unused vacation and sick leave. In the government-wide financial statements the accrued compensated absences is recorded as an expense and related liability, with the current portion estimated based on historical trends. In the governmental fund financial statements, the expenditures and liabilities related to those obligations are recognized only when they mature. The District includes its share of medicare taxes payable on behalf of the employees in the accrual for compensated absences.

**K. Pensions**

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. 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.

**L. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. The District has one item that qualifies for reporting in this category. This item relates to the pension adjustments and is reportable on the statement of net position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. This item relates to the pension adjustments and is reportable on the statement of net position.

**M. Estimates**

The preparation of basic financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**LAKEPORT FIRE PROTECTION DISTRICT**  
**Notes to Modified Cash Basis Financial Statements**  
**For the Year Ended June 30, 2015**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**N. Implementation of Governmental Accounting Standards Board Statements (GASB)**

The following Governmental Accounting Standards Board (GASB) Statements have been implemented, if applicable, in the current financial statements.

**Statement No. 68**, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27. This statement improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities.

**Statement No. 69**, Government Combinations and Disposals of Government Operations. This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations.

**Statement No. 71**, Pension Transition for Contributions made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68. This statement addresses an issue regarding application of the transition provisions of Statement No. 68.

**NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Restatement of Net Position**

Adjustments resulting from errors or a change to comply with provisions of the accounting standards are treated as adjustments to prior periods. Accordingly, the District reports these changes as restatements of beginning net position. During the current year an adjustment was made to reflect the prior period costs related to implementing the net pension liability as required by GASB Statement No. 68.

The impact of the restatement on the net position on the government-wide financial statements as previously reported is presented below:

	Governmental Activities
Net Position, June 30, 2014, as previously reported	\$ 2,192,642
Adjustment associated with:	
Net Pension Liability Adjustment	( 1,282,992)
Total Adjustments	( 1,282,992)
Net Position, July 1, 2014, as restated	\$ 909,650



**LAKEPORT FIRE PROTECTION DISTRICT**  
**Notes to Modified Cash Basis Financial Statements**  
**For the Year Ended June 30, 2015**

**NOTE 3: CASH AND INVESTMENTS**

**A. Financial Statement Presentation**

As of June 30, 2015, the District's cash and investments consisted of the following:

Cash:	
Cash on hand	\$ 150
Deposits (less outstanding checks)	<u>1,000</u>
Total Cash	<u>1,150</u>
Investments:	
Lake County Treasurer's pool	<u>861,836</u>
Total Investments	<u>861,836</u>
Total Cash and Investments	<u><u>\$ 862,986</u></u>

**B. Cash**

At year end, the carrying amount of the District's cash deposits (including amounts in checking accounts) was \$1,000 and the bank balance was \$1,000. In addition, the District had cash on hand of \$150.

Custodial Credit Risk for Deposits - Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits or collateral securities that are in the possession of an outside party. The District complies with the requirements of the California Government Code. Under this code, deposits of more than \$250,000 must be collateralized at 105 percent to 150 percent of the value of the deposit to guarantee the safety of the public funds.

**C. Investments**

The District does not have a formal investment policy. At June 30, 2015, all investments of the District were in the County of Lake investment pool. Under the provisions of the County's investment policy and the California Government Code, the County may invest or deposit in the following.

- Banker's Acceptances
- Commercial Paper
- Local Agency Investment Fund (LAIF)
- Mutual Funds
- Medium Term Corporate Notes
- Negotiable Certificates of Deposit
- Repurchase Agreements
- Securities of the Federal Government or its Agencies
- State of California Obligations
- Local Agency Bonds
- Treasury Obligations
- Obligations of California Local Agencies

**LAKEPORT FIRE PROTECTION DISTRICT**  
**Notes to Modified Cash Basis Financial Statements**  
**For the Year Ended June 30, 2015**

**NOTE 3: CASH AND INVESTMENTS (CONTINUED)**

**C. Investments (Continued)**

Interest Rate Risk - Interest rate risk is the risk of loss due to the fair value of an investment falling due to interest rates rising. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. To limit exposure to fair value losses resulting from increases in interest rates, the County's investment policy limits investment maturities to a term appropriate to the need for funds so as to permit the County to meet all projected obligations. The County limits its exposure to interest rate risk inherent in its portfolio by limiting individual maturities to 5 years or less.

Credit Risk - Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The County's investment policy sets specific parameters by type of investment to be met at the time of purchase. As of June 30, 2015, the District investments were all pooled with the County of Lake investment pool which is not rated by a nationally recognized statistical rating organization.

Custodial Credit Risk for Investments- Custodial credit risk for investments is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits or collateral securities that are in the possession of an outside party. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investments in securities through the use of mutual funds or government investment pools.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer of securities. When investments are concentrated in one issuer, this concentration presents a heightened risk of potential loss. State law and the investment policy of the County contain limitations on the amount that can be invested in any one issuer. As of June 30, 2015, all investments of the District were in the County investment pool which contains a diversification of investments.

**LAKEPORT FIRE PROTECTION DISTRICT**  
**Notes to Modified Cash Basis Financial Statements**  
**For the Year Ended June 30, 2015**

**NOTE 4: CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2015, was as follows:

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2015</u>
Capital Assets, Not Being Depreciated:				
Land	\$ 502,879	\$ -	\$ -	\$ 502,879
Total Capital Assets, Not Being Depreciated	<u>502,879</u>	<u>-</u>	<u>-</u>	<u>502,879</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	685,029	-	-	685,029
Equipment	<u>1,789,310</u>	<u>640,954</u>	<u>( 46,072)</u>	<u>2,384,192</u>
Total Capital Assets, Being Depreciated	<u>2,474,339</u>	<u>640,954</u>	<u>( 46,072)</u>	<u>3,069,221</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	( 385,748)	( 13,701)	-	( 399,449)
Equipment	<u>( 1,155,232)</u>	<u>( 123,857)</u>	<u>46,072</u>	<u>( 1,233,017)</u>
Total Accumulated Depreciation	<u>( 1,540,980)</u>	<u>( 137,558)</u>	<u>46,072</u>	<u>( 1,632,466)</u>
Total Capital Assets, Being Depreciated, Net	<u>933,359</u>	<u>503,396</u>	<u>-</u>	<u>1,436,755</u>
Total Capital Assets, Net	<u>\$ 1,436,238</u>	<u>\$ 503,396</u>	<u>\$ -</u>	<u>\$ 1,939,634</u>

**Depreciation**

Depreciation expense was charged to governmental functions as follows:

Public Protection	<u>\$ 137,558</u>
Total Depreciation Expense	<u>\$ 137,558</u>

**NOTE 5: INTERFUND TRANSACTIONS**

**Transfers**

Transfers are indicative of funding for capital projects, lease payments or debt service, and re-allocations of special revenues. The following are the interfund transfer balances as of June 30, 2015:

	<u>Transfer In</u>	<u>Transfer Out</u>
General	\$ 66,434	\$ -
Mitigation Fees	<u>-</u>	<u>66,434</u>
Total	<u>\$ 66,434</u>	<u>\$ 66,434</u>

**LAKEPORT FIRE PROTECTION DISTRICT**  
**Notes to Modified Cash Basis Financial Statements**  
**For the Year Ended June 30, 2015**

**NOTE 6: LONG-TERM LIABILITIES**

The following is a summary of changes in long-term liabilities for the year ended June 30, 2015:

<u>Type of Indebtedness</u>	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2015</u>	<u>Amounts Due Within One Year</u>
Capital Leases	\$ 4,953	\$ 261,923	(\$ 37,564)	\$ 229,312	\$ 34,468
Compensated Absences	130,296	158,446	( 141,621)	147,121	147,121
Net Pension Liability	-	1,495,985*	( 334,447)	1,161,538	-
Net OPEB Obligation	109,700	71,078	( 30,929)	149,849	-
Total	<u>\$ 244,949</u>	<u>\$ 1,987,432</u>	<u>(\$ 544,561)</u>	<u>\$ 1,687,820</u>	<u>\$ 181,589</u>

\*In accordance with GASB 68, the net pension liability is recorded as a restatement of beginning net position. The adjustment to long-term liabilities is the total adjustment less the adjustments to deferred outflows and deferred inflows of resources.

**NOTE 7: LEASES**

**Operating Leases**

Rental expenses incurred under operating leases are not considered material.

**Capital Leases**

The District has entered into certain capital lease agreements under which the related equipment and other assets will become the property of the District when all terms of the lease agreements are met.

	<u>Stated Interest Rate</u>	<u>Present Value Of Remaining Payments at June 30, 2015</u>
Governmental Fund activities	3.40%	\$ 229,312
Total capital lease obligations		<u>\$ 229,312</u>

Equipment and related accumulated depreciation under capital lease are as follows:

Equipment	\$ 295,995
Less: accumulated depreciation	( 29,599)
Net Value	<u>\$ 266,396</u>

**LAKEPORT FIRE PROTECTION DISTRICT**  
**Notes to Modified Cash Basis Financial Statements**  
**For the Year Ended June 30, 2015**

**NOTE 7: LEASES (CONTINUED)**

**Capital Leases (Continued)**

As of June 30, 2015, capital lease annual amortization is as follows:

<u>Year Ended June 30</u>	<u>Governmental Activities</u>
2016	\$ 36,434
2017	36,434
2018	36,434
2019	36,434
2020	36,434
2021-2022	<u>72,868</u>
Total Requirements	255,038
Less Interest	( <u>25,726</u> )
Present Value of Remaining Payments	<u><u>\$ 229,312</u></u>

**NOTE 8: NET POSITION**

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- **Net investment in capital assets** - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- **Restricted net position** - consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. These principally include restrictions for capital projects, debt service requirements and other special revenue fund purposes.
- **Unrestricted net position** - all other net position that does not meet the definition of “restricted” or “net investment in capital assets”.

**Net Position Flow Assumption**

When a government funds outlays for a particular purpose from both restricted and unrestricted resources, a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted net position are available, it is considered that restricted resources are used first, followed by the unrestricted resources.

**LAKEPORT FIRE PROTECTION DISTRICT**  
**Notes to Modified Cash Basis Financial Statements**  
**For the Year Ended June 30, 2015**

**NOTE 9: FUND BALANCES**

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of June 30, 2015, fund balance for governmental funds is made up of the following:

- **Nonspendable fund balance** - amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories and prepaid amounts.
- **Restricted fund balance** - amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed fund balance** - amounts that can only be used for the specific purposes determined by formal action of the District’s highest level of decision-making authority. The Board of Directors is the highest level of decision making authority for the District that can, by adoption of an ordinance commit fund balance. Once adopted, the limitation imposed remains in place until a similar action is taken to remove or revise the limitation. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.
- **Assigned fund balance** - amounts that are constrained by the District’s intent to be used for specific purposes. The intent can be established at either the highest level of decision-making, or by a body or an official designated for that purpose.
- **Unassigned fund balance** - the residual classification for the District’s General fund that includes all amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

The fund balances for all governmental funds as of June 30, 2015, were distributed as follows:

	<u>General</u>	<u>Mitigation Fees</u>	<u>Total</u>
<b>Restricted for:</b>			
Capital projects	\$ -	\$ 85,255	\$ 85,255
Subtotal	<u>-</u>	<u>85,255</u>	<u>85,255</u>
<b>Assigned to:</b>			
General reserve	30,000	-	30,000
Equipment	10,000	-	10,000
Building	206,118	-	206,118
OPEB	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Subtotal	<u>296,118</u>	<u>-</u>	<u>296,118</u>
<b>Unassigned</b>	<u>481,613</u>	<u>-</u>	<u>481,613</u>
Total	<u>\$ 777,731</u>	<u>\$ 85,255</u>	<u>\$ 862,986</u>

**LAKEPORT FIRE PROTECTION DISTRICT**  
**Notes to Modified Cash Basis Financial Statements**  
**For the Year Ended June 30, 2015**

**NOTE 9: FUND BALANCES (CONTINUED)**

**Fund Balance Flow Assumption**

When a government funds outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance), a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted fund balance are available, it is considered that restricted fund balance is depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**Fund Balance Policy**

The Board of Directors adopted the Lakeport Fire Protection District's Fund Balance Policy for Financial Statement Reporting in 2012. The policy establishes procedures for reporting fund balance classifications, establishes prudent reserve requirements and establishes a hierarchy of fund balance expenditures.

**NOTE 10: PENSION PLANS**

**A. General Information about the Pension Plans**

All qualified permanent and probationary employees are eligible to participate in the District's separate Safety and Miscellaneous (all other) Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Effective January 1, 2013, the District added retirement tiers for both Miscellaneous and Safety Plans for new employees as required under the Public Employee Pension Reform Act (PEPRA). Classic employees are generally defined as employees who have been a member of any public retirement system who have had less than a six month break in service. Applicable new hires to the District defined as classic employees as determined by PERS will be subject to the appropriate non-PEPRA plan (i.e. Safety or Miscellaneous). New non-classic employees hired on or after January 1, 2013 will be subject to new, lower pension formulas, caps on pensionable income levels and new definitions of pensionable income. In addition, new non-classic employees will be required to contribute half of the total normal cost of the pension benefit unless impaired by an existing Memorandum of Understanding. The cumulative effect of these PEPRA changes will ultimately reduce the District's retirement costs. As of the valuation date there were no Miscellaneous or Safety PEPRA employees.

**Summary of Plans and Eligible Participants**

Open for New Enrollment

Miscellaneous PEPRA  
Safety PEPRA

Miscellaneous members hired on or after January 1, 2013  
Safety members hired on or after January 1, 2013

Closed to New Enrollment

Miscellaneous  
Safety

Miscellaneous members hired before January 1, 2013  
Safety members hired before January 1, 2013

**LAKEPORT FIRE PROTECTION DISTRICT**  
**Notes to Modified Cash Basis Financial Statements**  
**For the Year Ended June 30, 2015**

**NOTE 10: PENSION PLANS (CONTINUED)**

**A. General Information about the Pension Plans (Continued)**

**Benefits Provided**

CalPers provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Retirement benefits are paid monthly for life. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

Each Plan's specific provisions and benefits in effect at June 30, 2015, are summarized as follows:

	<u>Benefit Formula</u>	<u>Retirement Age</u>	<u>Monthly Benefits as a % of Eligible Compensation</u>
Miscellaneous	2.0% @ 55	55	2.0%
Miscellaneous PEPRA	2.0% @ 62	62	2.0%
Safety	2.0% @ 50	50	2.0%
Safety PEPRA	2.7% @ 57	57	2.7%

**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 a change in the rate. Funding contributions for all Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

	<u>Employer Contribution Rates</u>	<u>Employee Contribution Rates</u>	<u>Employer Paid Member Contribution Rates</u>
Miscellaneous	12.458%	7.000%	4.660%
Miscellaneous PEPRA	6.250%	6.250%	0.000%
Safety	28.465%	9.000%	6.000%
Safety PEPRA	11.500%	11.500%	0.000%

For the year ended June 30, 2015, the contributions recognized as part of pension expense for each Plan were as follows:

	<u>Contributions-Employer</u>	<u>Contributions-Employee (Paid by Employer)</u>
Miscellaneous	\$ 7,494	\$ 3,011
Safety	205,499	44,595



**LAKEPORT FIRE PROTECTION DISTRICT**  
**Notes to Modified Cash Basis Financial Statements**  
**For the Year Ended June 30, 2015**

**NOTE 10: PENSION PLANS (CONTINUED)**

**B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions**

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2014, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. 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 plans relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for each Plan as of June 30, 2013 and 2014 was as follows:

	Proportion <u>June 30, 2013</u>	Proportion <u>June 30, 2014</u>	Change - <u>Increase (Decrease)</u>
Miscellaneous	.00093%	.00089%	(.00004%)
Safety	.01763%	.01777%	.00014%

As of June 30, 2015, the District reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	<u>Proportionate Share of Net Pension Liability</u>
Miscellaneous	\$ 55,648
Safety	<u>1,105,890</u>
Total Net Pension Liability	<u>\$ 1,161,538</u>

For the year ended June 30, 2015, the District recognized pension expense of \$95,585. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 270,439	\$ -
Differences between projected and actual earnings on pension plan investments	-	( 316,407)
Difference between District contributions and proportionate share of contributions	61,381	-
Adjustment due to differences in proportions	<u>-</u>	<u>( 41,282)</u>
Total	<u>\$ 331,820</u>	<u>(\$ 357,689)</u>

**LAKEPORT FIRE PROTECTION DISTRICT**  
**Notes to Modified Cash Basis Financial Statements**  
**For the Year Ended June 30, 2015**

**NOTE 10: PENSION PLANS (CONTINUED)**

**B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)**

\$270,439 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended <u>June 30</u>	
2016	(\$ 71,924)
2017	( 71,924)
2018	( 73,359)
2019	( 79,101)
Thereafter	<u>-</u>
Total	<u><u>(\$ 296,308)</u></u>

**Actuarial Assumptions**

The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	2.75%
Payroll Growth	2.75%
Projected Salary Increase	3.30% to 14.20% (1)
Investment Rate of Return	7.50% (2)
Mortality	(3)

(1) Depending on age, service, and type of employment

(2) Net of pension plan investment and administrative expenses, including inflation

(3) Derived using CalPERS membership data for all funds

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

**LAKEPORT FIRE PROTECTION DISTRICT**  
**Notes to Modified Cash Basis Financial Statements**  
**For the Year Ended June 30, 2015**

**NOTE 10: PENSION PLANS (CONTINUED)**

**B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)**

**Discount Rate**

The discount rate used to measure the total pension liability was 7.50% for each Plan. 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 7.50% 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% is applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at the 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% 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%. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) 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 through at least the 2017-18 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, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound 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.

**LAKEPORT FIRE PROTECTION DISTRICT**  
**Notes to Modified Cash Basis Financial Statements**  
**For the Year Ended June 30, 2015**

**NOTE 10: PENSION PLANS (CONTINUED)**

**B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)**

**Discount Rate (Continued)**

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

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10(a)</u>	<u>Real Return Years 11+(b)</u>
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	12.0%	6.83%	6.95%
Real Estate	11.0%	4.50%	5.13%
Infrastructure and Forestland	3.0%	4.50%	5.09%
Liquidity	<u>2.0%</u>	-0.55%	-1.05%
Total	<u><u>100%</u></u>		

(a) An expected inflation of 2.5% used for this period

(b) An expected inflation of 3.0% used for this period

**Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the District's proportionate share of the net pension liability for each Plan as of the measurement date, calculated using the discount rate for each Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>1% Decrease 6.50%</u>	<u>Discount Rate 7.50%</u>	<u>1% Increase 8.50%</u>
Miscellaneous	\$ 97,801	\$ 55,648	\$ 20,665
Safety	1,834,085	1,105,890	505,889

**Pension Plan Fiduciary Net Position**

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

**LAKEPORT FIRE PROTECTION DISTRICT**  
**Notes to Modified Cash Basis Financial Statements**  
**For the Year Ended June 30, 2015**

**NOTE 11: OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

**A. Plan Description**

The District provides healthcare benefits for employees and qualified dependents (and also for retirees and their dependents) through the Teamsters Local Union No. 856 Health and Welfare Fund and the health plans of the City of Lakeport. Two retirees and one surviving spouse are receiving lifetime medical benefits under the City of Lakeport's health plans. The District reimburses the City 50% of the cost for these three individuals.

For the two other current retirees, and all future retirees, lifetime medical benefits with optional continuing coverage to surviving spouses will be provided through the Teamsters Major Medical Plan. This plan is funded 95% by the District and 5% by employee contributions. Retirees are required to pay monthly dollar amounts that vary by age, year of retirement, and Medicare eligibility. These retiree premiums are paid for in whole or in part by the District.

Bargaining unit members hired before June 30, 2008 and the former Fire Chief have their retiree premiums paid in full by the District.

Bargaining unit members hired after June 30, 2008, and the District Secretary have their retiree premiums paid by the District in accordance with the following formula.

- 40% after 12 years of continual service
- 60% after 15 years of continual service
- 80% after 18 years of continual service
- 100% after 21 years of continual service

**B. Funding Policy**

As required by GASB 45, an actuary will determine the District's Annual Required Contributions (ARC) at least once every three fiscal years. The ARC is calculated in accordance with certain parameters, and includes (1) the Normal Cost for one year, and (2) a component for amortization of the total unfunded actuarial accrued liability (UAAL) over a period not to exceed 30 years.

The District's funding policy is to continue to pay healthcare premiums for retirees as they fall due ("pay-as-you-go"). The District's Board is currently researching the feasibility of pre-funding into an irrevocable trust.

**C. Annual OPEB Cost and Net OPEB Obligation**

The District's OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess). The following table shows the District's annual OPEB cost for the year, the amount actually contributed to the plan, and the resulting net OPEB obligation.

**LAKEPORT FIRE PROTECTION DISTRICT**  
**Notes to Modified Cash Basis Financial Statements**  
**For the Year Ended June 30, 2015**

**NOTE 11: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

**C. Annual OPEB Cost and Net OPEB Obligation (Continued)**

Annual required contribution	\$ 73,034
Interest on net OPEB obligation	4,388
Adjustment to Annual Required Contribution	( 6,344)
Annual OPEB Cost	71,078
Contributions made:	
Pay as you go contribution	( 30,929)
Increase in net OPEB obligation	40,149
Net OPEB Obligation - Beginning of Year	<u>109,700</u>
Net OPEB Obligation - End of Year	<u>\$ 149,849</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current and prior two years is as follows:

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual OPEB</u> <u>Cost</u>	<u>Percentage of Annual</u> <u>OPEB Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
6/30/13	\$ 40,578	67.1%	\$ 56,862
6/30/14	72,020	26.6%	109,700
6/30/15	71,078	43.51%	149,849

The quantifications of costs set forth above should not be interpreted in any way as vesting such benefits; rather the disclosures are made solely to comply with the District's reporting obligations under GASB 45, as the District understands these obligations.

**D. Funded Status and Funding Progress**

The unfunded actuarial accrued liability is being amortized as a level dollar amount on an open basis over a closed 30 year period. The remaining amortization period as of June 30, 2014 was 27 years. As of July 1, 2013, the most recent actuarial valuation date, the plan was 0.0 percent funded. The actuarial accrued liability was \$670,529, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$670,529. The covered payroll (annual payroll of employees covered by the plan) was \$932,725, and the ratio of the UAAL to the covered payroll was 71.9 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**LAKEPORT FIRE PROTECTION DISTRICT**  
**Notes to Modified Cash Basis Financial Statements**  
**For the Year Ended June 30, 2015**

**NOTE 11: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

**E. Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the July 1, 2013 actuarial valuation, the projected unit credit (PUC) cost method was used. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses) and an annual medical trend rate of 8 percent initially, reduced by decrements to an ultimate rate of 5 percent after 3 years. These assumptions reflect an implicit 4 percent general inflation assumption.

**NOTE 12: 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 has joined together with other fire districts in the state to participate in Fire District's Association of California - Fire Association Self Insurance System. This joint venture is a public entity risk pool which serves as a common risk management and insurance program for workers compensation coverage for member districts. The District pays an annual premium to the joint venture for its insurance coverage. The agreement with the joint venture provides that they will be self-sustaining through member premiums and will reinsure through commercial companies for excess coverage.

The District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE 13: OTHER INFORMATION**

**A. Commitments and Contingencies**

There are potential claims and legal actions pending against the District for which no provisions have been made in the financial statements. In the opinion of the District management and legal counsel, liabilities arising from these claims and legal actions, if any, either will not be material or cannot be estimated at this time.

**B. Subsequent Event**

Management has evaluated events subsequent to June 30, 2015 through March 15, 2016, the date on which the financial statements were available for issuance. Management has determined no subsequent events requiring disclosure have occurred.

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**Supplementary Information  
(Unaudited)**

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**LAKEPORT FIRE PROTECTION DISTRICT**  
**Supplementary Information**  
**District Pension Plans**  
**Schedule of Proportionate Share of the Net Pension Liability**  
**For the Year Ended June 30, 2015**  
**Last 10 Years\***

	<b>2015</b>
<b>Miscellaneous Plan</b>	
Proportion of the net pension liability	0.00089%
Proportionate share of the net pension liability	\$ 55,648
Covered employee payroll	62,151
Proportionate share of the net pension liability as a percentage of covered employee payroll	89.54%
Plan fiduciary net position as a percentage of the total pension liability	82.49%
<b>Safety Plan</b>	
Proportion of the net pension liability	0.01777%
Proportionate share of the net pension liability	\$ 1,105,890
Covered employee payroll	768,601
Proportionate share of the net pension liability as a percentage of covered employee payroll	143.88%
Plan fiduciary net position as a percentage of the total pension liability	79.66%

\* The District implemented GASB 68 for fiscal year June 30, 2015, therefore only one year is shown.

**LAKEPORT FIRE PROTECTION DISTRICT**  
**Supplementary Information**  
**District Pension Plans**  
**Schedule of Contributions**  
**For the Year Ended June 30, 2015**  
**Last 10 Years\***

	<b>2015</b>
<b>Miscellaneous Plan</b>	
Contractually required contribution (actuarially determined)	\$ 7,494
Contributions in relation to the actuarially determined contributions	(7,494)
Contribution deficiency (excess)	\$ -
Covered employee payroll	\$ 62,151
Contributions as a percentage of covered employee payroll	12.06%
 <b>Safety Plan</b>	
Contractually required contribution (actuarially determined)	\$ 205,499
Contributions in relation to the actuarially determined contributions	(205,499)
Contribution deficiency (excess)	\$ -
Covered employee payroll	\$ 768,601
Contributions as a percentage of covered employee payroll	26.74%

\* The District implemented GASB 68 for fiscal year June 30, 2015, therefore only one year is shown.

**LAKEPORT FIRE PROTECTION DISTRICT**  
**Supplementary Information**  
**District Pension Plans**  
**Notes to District Pension Plans**  
**For the Year Ended June 30, 2015**

**NOTE 1: SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

There were no changes in assumptions or benefits in calculating the net pension liability.

**NOTE 2: SCHEDULE OF CONTRIBUTIONS**

Methods and assumptions used to determine the contribution rate for the Miscellaneous Plan were as follows:

Valuation Date	June 30, 2011
Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	20 years as of the valuation date
Asset valuation method	15-year smoothed market
Inflation	2.75%
Salary increases	3.30% to 14.20% depending on age, service, and type of employment
Investment rate of return	7.50%, net of pension plan investment and administrative expense, including inflation
Retirement age	55-62 years

Methods and assumptions used to determine the contribution rate for the Safety Plan were as follows:

Valuation Date	June 30, 2011
Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	16 years as of the valuation date
Asset valuation method	15-year smoothed market
Inflation	2.75%
Salary increases	3.30% to 14.20% depending on age, service, and type of employment
Investment rate of return	7.50%, net of pension plan investment and administrative expense, including inflation
Retirement age	50-57 years

**LAKEPORT FIRE PROTECTION DISTRICT**  
**Supplementary Information**  
**District OPEB Plan**  
**Schedule of Funding Progress**  
**For the Year Ended June 30, 2015**

**SCHEDULE OF FUNDING PROGRESS**

The Schedule of Funding Progress - Other Postemployment Benefits provides a consolidated snapshot of the District's ability to meet current and future liabilities with the plan assets. Of particular interest to most is the funded status ratio. This ratio conveys a plan's level of assets to liabilities, an important indicator to determine the financial health of the OPEB plan. The closer the plan is to a 100% funded status, the better position it will be in to meet all of its future liabilities.

The table below shows a two year analysis of the actuarial value of assets as a percentage of the actuarial accrued liability and the unfunded actuarial accrued liability as a percentage of the annual covered payroll for the District Other Postemployment Benefit Plan. As additional years are available, a three year trend analysis will be presented.

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
July 1, 2010	\$ -	\$ 425,218	\$ 425,218	0.0%	\$ 714,856	59.5%
July 1, 2013	-	670,529	670,529	0.0%	932,725	71.9%

**LAKEPORT FIRE PROTECTION DISTRICT**  
**Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2015**

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 739,650	\$ 739,150	\$ 746,902	\$ 7,752
Licenses and permits	7,400	7,400	8,040	640
Use of money and property	5,000	5,000	4,953	(47)
Intergovernmental revenues	10,000	339,997	378,612	38,615
Charges for services	1,214,000	1,135,258	1,456,807	321,549
Other revenues	-	-	14,271	14,271
<b>Total Revenues</b>	1,976,050	2,226,805	2,609,585	382,780
<b>EXPENDITURES</b>				
Current:				
Personal services and benefits	1,870,205	1,987,302	1,936,431	50,871
Services and supplies	496,805	510,347	472,796	37,551
Capital outlay	75,500	391,858	379,031	12,827
<b>Total Expenditures</b>	2,442,510	2,889,507	2,788,258	101,249
<b>Excess of Revenue Over (Under) Expenditures</b>	(466,460)	(662,702)	(178,673)	484,029
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	40,000	70,000	66,434	(3,566)
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	40,000	70,000	66,434	(3,566)
<b>Net Change in Fund Balance</b>	(426,460)	(592,702)	(112,239)	480,463
<b>Fund Balance - Beginning</b>	889,970	889,970	889,970	-
<b>Fund Balance - Ending</b>	\$ 463,510	\$ 297,268	\$ 777,731	\$ 480,463
<b>Reconciliation of Net Changes in Fund Balances - Budgetary to Modified Cash Basis:</b>				
Total Expenditures - Budgetary Basis				\$ 2,788,258
Debt service principal and interest expenditures are included as services and supplies expenditures for budgetary purposes, but are included as debt service expenditures for financial reporting purposes.				
Services and supplies				(41,796)
Debt service - principal				37,564
Debt service - interest and other charges				4,232
Capital outlay expenditures and debt proceeds due to the inception of the capital lease are not included for budgetary purposes, but are included as capital outlay expenditures and issuance of debt for financial reporting purposes.				
Capital outlay expenditures				261,923
Total Expenditures - Modified Cash Basis Statement of Revenues, Expenditures, and Changes in Fund Balances				\$ 3,050,181

Continued (Page 1 of 2)

**LAKEPORT FIRE PROTECTION DISTRICT**  
**Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2015**

**Reconciliation of Net Changes in Fund Balances - Budgetary to Modified Cash Basis: (Continued)**

Total Other Financing Sources (Uses) - Budgetary Basis	\$ 66,434
Capital outlay expenditures and debt proceeds due to the inception of the capital lease are not included for budgetary purposes, but are included as capital outlay expenditures and issuance of debt for financial reporting purposes.	
Issuance of debt	<u>261,923</u>
Total Other Financing Sources (Uses) - Modified Cash Basis Statement of Revenues, Expenditures, and Changes in Fund Balances	<u>\$ 328,357</u>



**LAKEPORT FIRE PROTECTION DISTRICT**  
**Supplementary Information**  
**Budgetary Comparison Schedule**  
**Mitigation Fees - Major Special Revenue Fund**  
**For the Year Ended June 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Use of money and property	\$ 749	\$ 749	\$ 408	\$ (341)
Charges for services	27,066	27,066	39,898	12,832
<b>Total Revenues</b>	<u>27,815</u>	<u>27,815</u>	<u>40,306</u>	<u>12,491</u>
<b>EXPENDITURES</b>				
Current:				
Personal services and benefits	-	-	-	-
<b>Total Expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess of Revenue Over (Under) Expenditures</b>	<u>27,815</u>	<u>27,815</u>	<u>40,306</u>	<u>12,491</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	(40,000)	(40,000)	(66,434)	(26,434)
<b>Total Other Financing Sources (Uses)</b>	<u>(40,000)</u>	<u>(40,000)</u>	<u>(66,434)</u>	<u>(26,434)</u>
<b>Net Change in Fund Balance</b>	(12,185)	(12,185)	(26,128)	(13,943)
<b>Fund Balance - Beginning</b>	111,383	111,383	111,383	-
<b>Fund Balance - Ending</b>	<u>\$ 99,198</u>	<u>\$ 99,198</u>	<u>\$ 85,255</u>	<u>\$ (13,943)</u>

**LAKEPORT FIRE PROTECTION DISTRICT**  
**Supplementary Information**  
**Notes to Budgetary Comparison Schedules**  
**For the Year Ended June 30, 2015**

**BUDGETARY BASIS OF ACCOUNTING**

Formal budgetary integration is employed as a management control device during the year. The District presents a comparison of annual budgets to actual results for the General fund and major special revenue fund. The amounts reported on the budgetary basis are generally on the basis of accounting described in Note 1C.

The following procedures are performed by the District in establishing the budgetary data reflected in the financial statements:

- (1) The Fire Chief submits to the Board of Directors a recommended budget for the fiscal year commencing the following July 1. The budget includes recommended expenditures and the means of financing them.
- (2) The Board of Directors review the recommended budget at regularly scheduled meetings, which are open to the public. The Board also conducts a public hearing on the recommended budget to obtain comments from interested persons.
- (3) Prior to July 1, the budget is adopted through the passage of a resolution.
- (4) From the effective date of the budget, the amounts stated therein, as recommended expenditures become appropriations to the District. The Board may amend the budget by motion during the fiscal year.

The District does not use encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation.

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## **OTHER REPORT AND SCHEDULE**

- **Other Report**
- **Schedule of Findings and Recommendations**

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**INDEPENDENT AUDITOR'S 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**

To the Board of Directors  
Lakeport Fire Protection District  
Lakeport, California

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 modified cash basis financial statements of the governmental activities and each major fund of the Lakeport Fire Protection District, California (District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 15, 2016.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and recommendations we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 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. We consider the deficiency described in the accompanying schedule of findings and recommendations to be a material weakness (2015-001).

To the Board of Directors  
Lakeport Fire Protection District  
Lakeport, California

**Compliance and Other Matters**

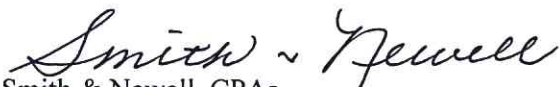
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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.

**District's Response to the Finding**

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and recommendations. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**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.

  
Smith & Newell, CPAs  
Yuba City, California  
March 15, 2016

**LAKEPORT FIRE PROTECTION DISTRICT**  
**Schedule of Findings and Recommendations**  
**For the Year Ended June 30, 2015**

**2015-001 Proceeds from Issuance of Debt (Material Weakness)**

**Condition**

The District did not properly record proceeds from the inception of a capital lease and did not amend the budget for the capital lease transaction.

**Cause**

The District initiated a capital lease for two ambulances and did not record the capital lease proceeds or the capital outlay expenditures and did not amend the budget.

**Criteria**

The issuance of debt must be reflected as an other financing source.

**Effect of Condition**

Proceeds from issuance of debt and capital outlay expenditures were misstated and required adjustment.

**Recommendation**

We recommend that the District properly record proceeds from the issuance of debt and the related expenditures and amend the budget when necessary.

**Corrective Action Plan**

The District will amend the 2015-2016 Budget to follow to recommendation made in the 2015-2015 Draft Audit and will properly record the payment for the capital lease of the two ambulances into the 42.10 Account (Notes & Loans-capitalized lease payments).

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