

**PEARDALE-CHICAGO PARK
FIRE PROTECTION DISTRICT
FINANCIAL STATEMENTS
JUNE 30, 2017**

**PEARDALE-CHICAGO PARK FIRE PROTECTION DISTRICT
JUNE 30, 2017**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Peardale - Chicago Park Fire Protection District
Chicago Park, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and major funds of Peardale - Chicago Park Fire Protection District (the District) as of and for the year ended June 30, 2017 which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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. 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America and the California State Controller's Minimum Audit Requirements and Reporting Guidelines for Special Districts.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 7 and 28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Jensen Smith
Certified Public Accountants, Inc.
Lincoln, California
May 10, 2018

PEARDALE-CHICAGO PARK
FIRE PROTECTION DISTRICT
P.O. BOX 697
CHICAGO PARK CA 95712

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

Our discussion and analysis of the Peardale-Chicago Park Fire Protection District's (hereafter referred to as the District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2017.

The Management's Discussion and Analysis is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 issued in June 1999. Comparative information with the previous year, which is by design included in this reporting model, will be included in this analysis.

Using this Annual Report - Overview of the Financial Statements

This report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (Pages 8 and 9) provide information about the financial activities of the District as a whole and a longer view of the District's finances.

The Balance Sheet – Governmental Funds (Page 10) and the Statement of Revenues, Expenditures and Changes in Fund Balances (Page 11) illustrate how the governmental type activities were financed in the short term, as well as what remains for future spending. These financial statements also report the District's operations in more detail than government-wide statements by providing information about the District's individual funds.

Government-wide Financial Statements

The analysis of the District as a whole begins on Page 8. The government-wide financial statements, consisting of the Statement of Net Position and the Statement of Activities, are designed to provide readers with a broad overview of the District as a whole and about its activities for the current period. They include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting methods used in the private sector. In this method, all of the current year's revenues and expenses are taken into account regardless of when cash is paid or received.

The Statement of Net Position represents the difference between all of the District's assets and liabilities, and the Statement of Activities reports on the changes in net position during the fiscal year. Examining the net position is an effective way to measure the District's financial health or position, with increases or decreases in the net position an indicator of whether the District's financial position is improving or deteriorating.

Both of these statements report only governmental-type activities (including cash, receivables, capital assets, accounts payables, compensated absences and long-term liabilities).

Fund Financial Statements

The District's fund financial statements begin on Page 10 and provide detailed information about the District's three funds, not the District as a whole. These funds include: General (Operating), Building & Equipment (Capital Improvement) and Special Revenue (Mitigation).

The District's services are reported in three funds, all of which are governmental, to help control and manage the financial activities for particular purposes. Those purposes are comprised of General Operating, Capital Replacement and AB1600 Development Fees. These governmental funds focus on how money flows into and out of those funds and the balances left at period end that are available for spending. The funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer resources that can be spent in the near future. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds* (reported in the Balance Sheet-Governmental Funds and the Statement of Revenues, Expenditures, and Changes in Fund Balances) is described in the reconciliations on pages 12 and 13.

Financial Analysis

The District as a Whole – Government-wide Financials

- The District's total net position at fiscal year-end was \$1,471,398, which is an increase of \$181,645 from the previous year.
- The assets of the District exceeded its liabilities at the close of this period by \$1,471,398 (net position). Of this amount, \$506,937 (unrestricted net position) may be used to meet the District's on-going obligations to its creditors, \$958,435 is invested in capital assets, and \$6,026 is restricted mitigation fees.

The District's Funds - Governmental Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, the unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As the District completed the year, its governmental funds reported a combined ending fund balance of \$607,574, which is an increase of \$82,469 from the previous year.

The general fund is the chief operating fund of the District. At the end of the twelve-month period ended June 30, 2017, the unassigned balance of the general fund was \$268,291. This amount constitutes a balance that is available for spending at the District's discretion. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balances to total fund expenditures.

BUDGET

The District adopts a preliminary budget each year at its monthly board meeting in May per California Health and Safety Code Section 13890. The final budget is adopted at the monthly meeting in September. In-budget transfers are approved by the Board of Directors prior to the end of the fiscal year.

	<u>FY16/17</u>	<u>FY15/16</u>
Preliminary Budget	\$492,050	\$463,954
Final Budget	\$568,550	\$463,954
Revenue	\$425,813	\$484,771
Expenditures	\$507,759	\$480,295

The decrease in revenue was due to a decrease in grants/donations and in fire reimbursements. The increase in expenditures from FY15/16 to FY16/17 was due to increases in various costs, such as communications, maintenance, fuel and oil, and special district expenses.

Every year the State of California has the potential to have a very active wildland fire season. Our department participates in state wide strike team responses to these fires. With no way to predict the level of activity during the fire season, we estimate the expected revenue and expenditures. With no way to accurately predict this fire activity, our budgeted amount versus actual revenue/expenditures, will continue to vary. However, revenue from this activity will always exceed expenditures, so there will be no adverse effect on our annual operating budget.

DISTRICT ASSETS & DEFERRED OUTFLOWS

District assets, including fixed assets, and deferred outflows on June 30, 2017 totaled \$ 1,665,679.

Total fixed assets of \$958,435 is a combination of two (2) categories: Vehicles and Equipment, and Property and Buildings.

The District added \$75,772 in fixed assets/equipment in FY16/17. Note 4 to the financial statements includes additional details on fixed asset activity.

As of June 30, 2017, the District had deferred outflows from pensions of \$57,152.

DISTRICT LIABILITIES & DEFERRED INFLOWS

On June 30, 2017, the District had liabilities, including deferred inflows, of \$180,266. This is a decrease of \$20,259 from the previous year.

1. As of June 30, 2017, the District had accounts payable and personnel costs payable of \$17,530.
2. As of June 30, 2017, the District would have had a compensated absences payout liability of \$33,431 in accrued sick leave if both full time employees had retired on that date.

3. As of June 30, 2017, the District would have had a compensated absences payout liability of \$5,577 in accrued vacation leave if both full time employees had retired or otherwise terminated their employment with the District on that date.
4. As of June 30, 2017, the District had net pension liability of \$124,380.
5. As of June 30, 2017, the District had deferred inflows from pensions of \$13,363.

FUND (CASH) BALANCES

The District maintains three (3) separate funds. All funds are kept on deposit with the County of Nevada. Interest generated by these funds is automatically deposited in the appropriate account.

The three cash funds are designated as follow:

- Fund 6723-General Operations
- Fund 6760-Capital Improvement
- Fund 6779- Mitigation (New Construction)

Fund 6723 is the District’s general operating account for daily operations. This fund showed a decrease of \$34,361 from the beginning to the end of the fiscal year.

Account Balances:

6723	July 1, 2016	\$319,989	July 1, 2015	\$139,876
	June 30, 2017	\$285,628	June 30, 2016	\$319,899

Fund 6760 is used to fund capital purchases. This account is funded by transfer of excess funds and funds budgeted from 6723. This fund showed an increase of \$132,124, mainly due to the transfer of funds from account 6779 for capital purchases and an increase in strike team response revenue in the capital equipment fund. The fund maintains a constant balance of \$10,000.00 to pay for personnel coverage in the event that one full time employee is off work due to illness or injury for an extended period of time. The District budgets \$2,500.00 per year to accumulate funds for payout of unused vacation and sick leave at an employee’s retirement. At the end of the fiscal year there was \$37,500 in the account for this eventual payout. The district will have a liability of up to 240 hours of vacation and 600 hours of sick leave time upon the retirement of a full time employee.

6760	July 1, 2016	\$201,133	July 1, 2015	\$274,097
	June 30, 2017	\$333,257	June 30, 2016	\$201,133

Fund 6779 is funded by mitigation fees paid by district residents for new construction. During the fiscal year, this fund received \$9,453 in mitigation fees and \$308 in interest, and transferred \$30,000 in funds to Fund 6760 to fund new capital purchases.

6779	July 1, 2016	\$26,265	July 1, 2015	\$19,684
	June 30, 2017	\$ 6,026	June 30, 2016	\$26,265

DISTRICT FINANCIAL STATUS

Assets

Cash in County	\$ 624,911
Petty Cash	193
Fixed Assets	958,435
Deferred Outflows from Pensions	57,152

Liabilities

Accounts Payable	< 8,098>
Personnel Costs Payable	< 9,432>
Vacation Leave Payout	< 5,577>
Sick Leave Retirement Payout	< 33,431>
Net Pension Liability	< 124,380>
Deferred Inflows from Pensions	< 13,363>

Total \$1,471,398

ECONOMIC FACTORS

The District projects that ad valorem property tax revenues will increase by 2%. Therefore we budgeted revenues for FY 17/18 accordingly.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. Any questions about this report or requests for additional information may be directed to James Bierwagen, Fire Chief, 18934 Colfax Hwy, Grass Valley CA, 95945.

PEARDALE - CHICAGO PARK FIRE PROTECTION DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2017

ASSETS AND DEFERRED OUTFLOWS

Current Assets:	
Cash and Cash Equivalents	\$ 625,106
Fire Reimbursement Receivable	24,986
Non-Current Assets:	
Capital Assets, net of accumulated depreciation \$835,202	958,435
Deferred Outflows from Pensions	57,152
Total Assets and Deferred Outflows	<u>1,665,679</u>

LIABILITIES , DEFERRED INFLOWS, AND NET POSITION

Current Liabilities:	
Accounts Payable	8,098
Personnel Costs Payable	9,432
Non-Current Liabilities:	
Compensated Absences Payable	39,008
Net Pension Liability	124,380
Total Liabilities	<u>180,918</u>

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows from Pensions	13,363
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NET POSITION

Invested in Capital Assets	958,435
Restricted	6,026
Unrestricted	506,937
Total Net Position	<u>\$ 1,471,398</u>

See accompanying notes.

**PEARDALE - CHICAGO PARK FIRE PROTECTION DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net Revenue and Change in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants & Contributions</u>	<u>Capital Grants & Contributions</u>	<u>Primary Governmental Activities</u>
Primary Government:					
Governmental Activities:					
General Fund	\$ 439,245	\$ 116,189	\$ -	\$ 9,889	\$ (313,167)
Depreciation	37,583	-	-	-	(37,583)
Building and Equipment	-	193,309	-	-	193,309
Special Revenue	-	-	-	-	-
Total Governmental Activities	\$ 476,828	\$ 309,498	\$ -	\$ 9,889	(157,441)
General Revenues					
Property Taxes					194,981
Prop. 172					18,871
Special Assessments					103,963
Development Fees					9,453
Other Sources					6,953
Interest					4,865
Total General Revenues					339,086
Change in Net Position					
					181,645
Net Position					
Beginning of the Year					1,289,753
End of the year					\$ 1,471,398

See accompanying notes.

**PEARDALE - CHICAGO PARK FIRE PROTECTION DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017**

	<u>GOVERNMENTAL FUND TYPES</u>			Total Governmental Funds
	<u>General</u>	<u>Building & Equipment</u>	<u>Special Revenue</u>	
<u>Assets</u>				
Cash in County Investment Pool	\$ 285,628	\$ 333,257	\$ 6,026	\$ 624,911
Petty Cash	193	-	-	193
Total Assets	<u>\$ 285,821</u>	<u>\$ 333,257</u>	<u>\$ 6,026</u>	<u>\$ 625,104</u>
<u>Liabilities & Fund Balances</u>				
Liabilities:				
Accounts Payable	\$ 8,098	\$ -	\$ -	\$ 8,098
Personnel Costs Payable	9,432	-	-	9,432
Total Liabilities	<u>17,530</u>	<u>-</u>	<u>-</u>	<u>17,530</u>
Fund Balances:				
Restricted	-	-	6,026	6,026
Committed	-	333,257	-	333,257
Unassigned	268,291	-	-	268,291
Total Fund Balances	<u>268,291</u>	<u>333,257</u>	<u>6,026</u>	<u>607,574</u>
Total Liabilities & Fund Balances	<u>\$ 285,821</u>	<u>\$ 333,257</u>	<u>\$ 6,026</u>	<u>\$ 625,104</u>

See accompanying notes.

PEARDALE - CHICAGO PARK FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017

	GOVERNMENTAL FUND TYPES			Total Governmental Funds
	General	Building & Equipment	Special Revenue	
Revenues:				
Current Secured	\$ 188,152	\$ -	\$ -	\$ 188,152
Current Unsecured	3,181	-	-	3,181
Prior Secured	(10)	-	-	(10)
Prior Unsecured	-	-	-	-
Supp Secured & Unsecured	3,643	-	-	3,643
Escaped Assessment	-	-	-	-
Supp Prior Un	15	-	-	15
Interest	2,656	1,901	308	4,865
HO Tax Relief	1,820	-	-	1,820
Timber Yield	1	-	-	1
State Other - In Lieu	41	-	-	41
Prop 172	18,871	-	-	18,871
Mitigation Fees	-	-	9,453	9,453
Special Assessment	103,963	-	-	103,963
Fire Reimbursement - Strike Team	91,203	-	-	91,203
Fire Reimbursement - Use of Equipment	-	193,309	-	193,309
Grants	4,389	-	-	4,389
Donations	-	-	-	-
Other Income	7,886	-	-	7,886
Total Revenues	425,811	195,210	9,761	630,782
Expenditures:				
Current General Governmental:				
Personnel Costs	372,653	-	-	372,653
Clothing	2,988	-	-	2,988
Communications	20,164	-	-	20,164
Food	958	-	-	958
Household	795	-	-	795
Insurance	8,345	-	-	8,345
Maintenance - Equipment	3,990	-	-	3,990
Maintenance - Vehicles	14,100	-	-	14,100
Maintenance - Structures	5,323	-	-	5,323
Memberships	100	-	-	100
Medical Supplies	2,058	-	-	2,058
Mitigation Fee Refund	-	-	-	-
Miscellaneous	177	-	-	177
Office Supplies	4,647	-	-	4,647
Professional Service	5,536	-	-	5,536
Rental Expense	1,643	-	-	1,643
Small Tools	4,170	-	-	4,170
Special Dist. Expense	12,324	-	-	12,324
Travel	1,435	-	-	1,435
Fuel & Oil	7,611	-	-	7,611
Utilities	9,024	-	-	9,024
Equipment - Other	17,832	45,586	-	63,418
Improvements	6,854	-	-	6,854
Total Expenditures	502,727	45,586	-	548,313
Excess of Revenues Over (Under) Expenditures				
Before Other Financing Sources (Uses)	(76,916)	149,624	9,761	82,469
Other Financing Sources (Uses)				
Operating Transfers In	50,000	32,500	-	82,500
Operating Transfers Out	(2,500)	(50,000)	(30,000)	(82,500)
Total Other Financing Sources (Uses)	47,500	(17,500)	(30,000)	-
Net Change in Fund Balances	(29,416)	132,124	(20,239)	82,469
Fund balance, beginning of year	297,707	201,133	26,265	525,105
Fund balance, end of year	\$ 268,291	\$ 333,257	\$ 6,026	\$ 607,574

See accompanying notes.

PEARDALE - CHICAGO PARK FIRE PROTECTION DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2017

Total Fund Balances for Governmental Funds	\$	607,574
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in the governmental activities are not financial resources and therefore are not reported in the funds.		958,435
Receivables received more than sixty days after the year end are not considered currently available and therefore are not reported in the governmental fund activities.		24,986
Deferred outflows of resources which are not collected within sixty days after fiscal year end are not included in fund assets.		57,152
Long-term liabilities and deferred inflows of resources are not due and payable in the current period, and therefore are not reported in the governmental funds:		
Compensated Absences Payable		(39,008)
Net Pension Liability		(124,380)
Deferred Inflows of Resources		(13,363)
		(176,751)
Total Net Position of Governmental Activities	\$	1,471,396

See accompanying notes.

**PEARDALE - CHICAGO PARK FIRE PROTECTION DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2017**

Net change in fund balances - total governmental funds	\$	82,469
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Total change in net position for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is capitalized as fixed assets.		70,272
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Governmental funds do not report fixed asset donations or grants. However, in the statement of activities, the cost of those assets is capitalized as fixed assets and recorded as donation or grant revenue.		5,500
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Governmental funds report proceeds from sale of fixed assets as income. However, in the statement of activities, the proceeds are compared to the book value of the disposed fixed assets and the difference is reported as a gain or loss on sale of fixed assets.		(2,797)
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Receivables received more than sixty days after the year end are not considered currently available and therefore are not reported in the governmental fund activities.		24,986
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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 governmental funds.

Deferral of Pension Related Expenses		42,437
Change in Compensated Absences		(3,639)
Depreciation Expense		(37,583)
		(37,583)

Change in Net Position of Governmental Activities	\$	181,645
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See accompanying notes.

PEARDALE-CHICAGO PARK FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 – NATURE OF THE ORGANIZATION

Description of the Organization

The District was established to provide fire prevention, suppression and rescue services in the Peardale – Chicago Park Area of Nevada County, California. Revenues are derived primarily from property taxes, a special tax on improved parcels within the district, and strike team responses. The District also collects fees for construction within the District, which are used to offset the increased capital costs associated with development.

The District is administered by a Board of Directors that acts as the authoritative and legislative body of the entity. The Board is comprised of five board members. No Board members receive compensation for serving on the Board.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Accounting

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities and changes in net position) report information on the primary government (District) as a whole. Inter-fund transfers are eliminated in the government-wide statement of activities.

The statement of activities presents a comparison between direct expenses and program revenues for the District's governmental activity. Direct expenses are those that are clearly identifiable as specifically associated with the District. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of the District. Revenues that are not classified as program revenues, including investment income, are presented instead as general revenues. The individual governmental funds are reported in separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized as soon as they both are measurable and available. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within sixty days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred as under accrual basis accounting.

PEARDALE-CHICAGO PARK FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 –SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District only uses governmental funds.

Governmental Funds

Governmental funds are those through which most governmental functions typically are transacted. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the 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 fund assets and liabilities is reported as fund balance.

Governmental Activities Consisted of the Following Major Funds:

General Fund

The General Fund is the general operating fund of the District. Fire and Rescue operations and administrative support are the focus of the activity in this fund.

Special Revenue Fund (Mitigation)

The Special Revenue Fund is used to account for mitigation fees allowed by California Law AB1600 for the purpose of offsetting increased capital costs due to development. A resolution by the Nevada County Board of Supervisors allows the collection of these fees and requires that they be spent only for capital additions due to development and additionally requires that these funds be spent and/or designated within five years of collection or they are refundable with interest to the payers. The District's policy is to fully expend these funds within the required time frame and, accordingly, no liability has been recognized.

Building and Equipment Fund (Capital Improvement)

The Building and Equipment Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment purchases.

Net Position

The government-wide financial statements utilize a net position presentation. Net position is categorized as invested in capital assets (net of related debt), restricted and unrestricted.

PEARDALE-CHICAGO PARK FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Fund Balances

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54). This statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories as noted below.

Nonspendable –

This category includes elements of the fund balance that cannot be spent because of their form, or because they must be maintained intact. For example:

- Assets that will never convert to cash, such as prepaid items and inventories of supplies;
- Assets that will not convert to cash soon enough to affect the current period, such as non-financial assets held for resale; or
- Resources that must be held intact pursuant to legal or contractual requirements, such as revolving loan fund capital or the principal of an endowment.

Restricted –

This category includes resources that are subject to constraints that are externally enforceable legal restrictions. Examples include:

- Funding from the state or federal entities or foundations that are legally restricted to specific uses. For example, funds advanced by a federal entity under specific agreements for services, or matching funds for specific initiatives.
- Funds legally restricted by County, state, or federal legislature, or a government's charter or constitution.
- Amounts collected from non-spendable items, such as the long term portion of loans outstanding, if those amounts are also subject to legal constraints.
- Funding that has been designated for legally enforceable contracts but not yet spent. This includes multi-year contracts.

Committed –

Two criteria are used to determine the District's committed fund balance:

1. Use of funds is constrained by limits imposed by the government's highest level of decision making. The highest level of decision making for the District would be the Board of Directors.
2. Removal or modification of use of funds can be accomplished only by formal action of the authority (i.e., Board of Directors) that established the constraints.

Commitments, modifications, or removals must occur prior to the end of the reporting period; that is, the fiscal year being reported upon.

**PEARDALE-CHICAGO PARK FIRE PROTECTION DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2017**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Assigned –

The assigned portion of the fund balance reflects the District’s intended use of resources, which is established either by the Board of Directors, a body created by the Board such as a finance committee, or an official designated by the Board (e.g., Fire Chief). The “assigned” component is similar to the “committed” component, with two essential differences, shown in the following table:

Key Differences Between Committed and Assigned Fund Balance		
	Committed	Assigned
A decision to use funds for a specific purpose requires action of the Board of Directors	Yes	No
Formal action of the Board of Directors is necessary to impose, remove or modify this constraint and formal action has taken place before end of reporting period	Yes	No

Another key difference is that the purpose of the assignment must be narrower than the fund itself. Resources that fit into this category include:

- Appropriation of a portion of existing fund balance sufficient to eliminate a projected deficit in the subsequent year’s budget, where the Fire Chief may decide whether to use the entire amount.
- Resources assigned to a specific program or project or organization for which the Board has approved a plan or budget
- Resources approved by the Board for a long range financial plan where formal approval is not required to modify the amount.

Unassigned –

This category includes the fund balance that cannot be classified into any of the other categories.

If situations arise where there is a possibility of assignment into more than one category, the committed amount will be reduced first, followed by assigned amounts and then unassigned amounts.

Budget

The Board provides for a budget for the general fund for the fiscal year in accordance with Chapter 7 of the Fire Protection District Law of 1987 as contained in the Health & Safety Code Sections 13890 and 13895, inclusive. The Board prepares a preliminary budget in May and adopts a final budget in September. Supplemental appropriations are adopted throughout the year as necessary. The building and equipment fund and the special revenue fund budgets are prepared using a five year capital improvement plan. The plan is approved each year.

**PEARDALE-CHICAGO PARK FIRE PROTECTION DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2017**

NOTE 2 –SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fixed Assets

Capital assets are capitalized at acquisition cost; donated equipment is recorded at the fair market value at the time of donation. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset’s life are not. Depreciation for the government-wide financial statements is calculated using the straight-line method over the estimated life of the asset.

NOTE 3 – CREDIT RISK, CARRYING VALUE AND MARKET VALUE OF INVESTMENTS

Nearly all cash at June 30, 2017 is pooled for investment purposes and held by Nevada County. Interest is apportioned quarterly to the District based on the average daily balances on deposit with the County of Nevada. The Nevada County Treasury is an external investment pool for the District and the District is considered an involuntary participant. The investments made by the Treasurer are regulated by the California Government Code and by the County’s investment policy. The County established a treasury oversight committee to monitor and review the management of public funds maintained in the investment pool in accordance with Article 6 Section 27131 of the California Government Code.

The oversight committee and the Board of Supervisors review and approve the investment policy annually. The County Treasury is accountable to the County Treasury Oversight Committee. The District’s fair value portion in the pool is the same as the District’s pool share. There was no difference between the carrying amount and the fair value of cash and investments; therefore, an adjustment to fair value was not required for GASB 31 compliance.

The District deposits all funds in interest bearing accounts with Nevada County. The District does not own any specific identifiable investments in the pool. Information regarding categorization of cash and investments held in the County can be found in the County of Nevada’s financial statements.

The District’s carrying amount and fair value of investments as of June 30, 2017 are as follows:

	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Difference</u>
Pooled Investments:			
Nevada County	<u>\$624,911</u>	<u>\$624,911</u>	<u>\$ -</u>

**PEARDALE-CHICAGO PARK FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 3 – CREDIT RISK, CARRYING VALUE AND MARKET VALUE OF INVESTMENTS – Continued

Fair value was based on unaudited quoted market values provided by the Nevada County Treasurer.

The State law and County’s Investment Policy limit investments in commercial paper to the rating of A1 by Standards & Poor’s or P1 by Moody’s Investors Services. State law and the County’s Investment Policy also limit investments in corporate bonds to the rating of A by Standard & Poor’s and Moody’s Investors Services. The County’s investment reports can be obtained from the County of Nevada.

At June 30, 2017, \$193 was held in a bank account. This amount is therefore not included in the Pooled Investments above.

NOTE 4 – CHANGES IN FIXED ASSETS

The following is a summary of changes in the general fixed asset account group:

<u>Description</u>	<u>Balance at June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2017</u>
Land	\$ 54,000	\$ -	\$ -	\$ 54,000
Equipment	977,621	68,918	(24,740)	1,021,799
Building	710,984	6,854	-	717,838
Total Capital Assets	1,742,605	75,772	(24,740)	1,793,637
Less: Accumulated Depreciation	(819,562)	(37,583)	21,943	(835,202)
Total Capital Assets net of Accumulated Depreciation	<u>\$ 923,043</u>	<u>\$38,189</u>	<u>(\$ 2,797)</u>	<u>\$ 958,435</u>

Depreciation expense for the fiscal year ended June 30, 2017 was \$37,583.

NOTE 5 – COMPENSATED ABSENCES

Accrued compensated absences include 100% of all employees’ vacation and holiday time earned, plus accrued sick leave of full-time employees. The balance of accrued compensated absences at June 30, 2017 was \$39,008, consisting of \$5,577 of accrued vacation and holiday time and \$33,431 of accrued sick leave.

NOTE 6 – SPECIAL TAX COLLECTIONS

Taxes are levied on November 1 of the fiscal year and can be paid in two equal installments. The first and second installments are due November 1 and February 1, respectively, and are considered delinquent if not paid before the close of business on December 10 and April 10, respectively. After June 30, delinquent taxes are in tax default and a property lien attaches to the secured property the following fiscal year on March 1. Tax default property can be sold after five years.

**PEARDALE-CHICAGO PARK FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7 – PENSION OBLIGATION INCLUDING GASB STATEMENT NO. 68

A. Plan Description and Provisions

The Peardale - Chicago Park Fire District's defined benefit pension plan, California State Public Employees Retirement System (PERS), provides pension benefits, and death and disability benefits to plan members and beneficiaries. The District joined PERS effective July 1, 1997.

The PERS 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 is established by State statutes within the Public Employee's Retirement Law. The Peardale - Chicago Park Fire District selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office – 400 P Street – Sacramento, CA 95814.

B. Funding Policy

Active plan members in the PERS are required to contribute 7% of their annual covered salary. The District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration.

The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS. The District has created a Memorandum of Understanding (MOU) between itself and the full-time employees of the District. Under this MOU, the District contributes the amount that is required by the active plan members directly to CalPERS.

The required employer contribution rates for safety personnel were as follows:

<u>Period:</u>	<u>Safety Plan</u>
July 1, 2016 to June 30, 2017	17.194%
July 1, 2015 to June 30, 2016	17.194%
July 1, 2014 to June 30, 2015	17.826%
July 1, 2013 to June 30, 2014	17.826%
July 1, 2012 to June 30, 2013	17.697%

**PEARDALE-CHICAGO PARK FIRE PROTECTION DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2017**

NOTE 7 – PENSION OBLIGATION INCLUDING GASB STATEMENT NO. 68 – Continued

B. Funding Policy – Continued

It is CalPERS position that their ratio constitutes an annual required contribution. For fiscal years ending June 30, 2017, 2016, 2015, 2014, and 2013, the required contributions to CalPERS were made. Total plan contributions to CalPERS were as follows:

June 30, 2017	\$ 29,188
June 30, 2016	\$ 27,653
June 30, 2015	\$ 27,501
June 30, 2014	\$ 34,671
June 30, 2013	\$ 24,888

The following employees were covered by the benefit terms of the plans:

<u>June 30, 2017</u>	
Inactive employees or beneficiaries currently receiving benefits	-
Active employees	2
Total	2

C. Pension Liabilities

At June 30, 2017, the District reported a net pension liability of \$124,380 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015, rolled forward to June 30, 2016, 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 plan relative to the projected contributions of all participating districts and the State, actuarially determined. At June 30, 2016, the District's proportionate share was 0.00144% for the Safety plan.

D. Pension Plan Fiduciary Net Position

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

PEARDALE-CHICAGO PARK FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 7: PENSION OBLIGATION INCLUDING GASB STATEMENT NO. 68 – Continued

E. Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2017, the District recognized pension expense/(credit) of \$(13,427). At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

June 30, 2017	Deferred Outflows Resources	Deferred Inflows Resources
Differences between projected and actual investment earnings	\$ 33,039	\$ -
Differences between employer's contributions and proportionate share of contributions	2,499	-
District contributions made subsequent to the measurement date	21,614	-
Differences between expected and actual experience	-	(1,542)
Changes of assumptions		(6,725)
Change in employer's proportion	-	(5,096)
Total	\$ 57,152	\$ (13,363)

An amount of \$21,614, 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense as follows:

Years Ending June 30	
2017	\$ 5,590
2018	5,590
2019	15,757
2020	8,601
2021	-
Thereafter	-
Total	\$ 35,538

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

PEARDALE-CHICAGO PARK FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 7 - PENSION OBLIGATION INCLUDING GASB STATEMENT NO. 68 – Continued

G. Actuarial Assumptions

The June 30, 2015 valuation was rolled forward to determine the June 30, 2015 total pension liability, based on the following actuarial methods and assumptions:

June 30, 2017	
Valuation date	June 30, 2015
Measurement date	June 30, 2016
Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Discount rate	7.65%
Inflation	2.75%
Salary increases	Varies by entry age and service
Investment rate of return	7.65%, net of pension plan investment expenses; includes inflation

CalPERS uses custom mortality tables to best fit the patterns of mortality among its members. The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. Other actuarial assumptions used in the June 30, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 1997, through June 30, 2011.

H. Change of Assumptions

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 and June 30, 2016 measurement dates is without reduction of pension plan administrative expenses.

I. Discount Rate

The discount rate used to measure the total pension liability was 7.65%. 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 of the plans, the tests revealed the assets would not run out. Therefore, the current 7.65% rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65% is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called “*GASB Crossover Testing Report*” that can be obtained on CalPERS’ website under the GASB 68 section.

**PEARDALE-CHICAGO PARK FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7: PENSION OBLIGATION INCLUDING GASB STATEMENT NO. 68 – Continued

I. Discount Rate – Continued

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.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the CalPERS Board effective on July 1, 2015.

Year Ended June 30	Target Allocation	Rate of Return	
		Years 1-10*	Years 11+**
Asset Class			
Global equity	51%	5.25%	5.71%
Global fixed income	19%	0.99%	2.43%
Inflation sensitive	6%	0.45%	3.36%
Private equity	10%	6.83%	6.95%
Real estate	10%	4.50%	5.13%
Infrastructure and forest land	2%	4.50%	5.09%
Liquidity	2%	-0.55%	-1.05%
Total	100%		

*An expected inflation of 2.5% was used for this period.

**An expected inflation of 3.0% was used for this period.

NOTE 8 – FUND BALANCE

The District has a policy of transferring an approved amount of the remaining funds in the General Account to the Building and Equipment Fund (Capital Improvement) each year. Funds are either transferred back or borrowed from the County Treasurer to pay normal operating expenses until tax money is received.

PEARDALE-CHICAGO PARK FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 9 – RELATED PARTIES

The Fire Chief and District Secretary are spouses. Because the District Secretary processes payroll and invoices for payment and maintains accounting records, the Board serves to provide added oversight and separation of duties. Board members review warrant requests and serve as the authorized signers for these warrant requests to Nevada County. The Board also reviews the District's financials on a regular basis.

NOTE 10 – SUBSEQUENT EVENTS

Events subsequent to June 30, 2017 have been evaluated through May 10, 2018, the date at which the District's audited financial statements were available to be issued. No events requiring disclosure have occurred through this date.

REQUIRED SUPPLEMENTARY INFORMATION

**PEARDALE-CHICAGO PARK FIRE PROTECTION DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET TO ACTUAL (NON-GAAP BUDGETARY BASIS)**

**GENERAL FUND
JUNE 30, 2017**

	<u>General Fund Original Budget</u>	<u>General Fund Final Budget</u>	<u>General Fund Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues				
Special Assessment	\$ 105,000	\$ 105,000	\$ 103,963	\$ (1,037)
Property Taxes	185,550	185,550	194,981	9,431
Prop. 172 Funds	20,000	20,000	18,871	(1,129)
Interest Income	1,000	1,000	2,656	1,656
Fire Reimbursement	150,000	225,000	91,203	(58,797)
Other Sources/Donations/Grants	28,500	-	12,275	(16,225)
St. Timber Yield/HO Tax Relief	2,000	2,000	1,862	(138)
Total Revenue	<u>492,050</u>	<u>538,550</u>	<u>425,811</u>	<u>(66,239)</u>
Expenditures				
Personnel Costs	320,980	320,980	380,089	(59,109)
Clothing	4,000	4,000	2,593	1,407
Communications	16,900	16,900	17,456	(556)
Food	1,500	1,500	602	898
Household	750	750	615	135
Insurance	8,500	8,500	8,345	155
Maintenance - Equipment	2,750	2,750	2,771	(21)
Maintenance - Vehicles	8,000	8,000	14,529	(6,529)
Maintenance - Structures	2,000	2,000	5,154	(3,154)
Memberships	100	100	100	-
Medical Supplies	3,500	3,500	2,201	1,299
Miscellaneous	-	-	177	(177)
Office Supplies	6,000	6,000	4,563	1,437
Professional Service	6,080	6,080	5,535	545
Rental Expense	500	500	1,635	(1,135)
Small Tools	750	750	3,554	(2,804)
Special Dist. Expense	7,250	7,250	12,324	(5,074)
Travel	2,500	2,500	1,461	1,039
Fuel & Oil	9,000	9,000	7,195	1,805
Utilities	9,500	9,500	9,127	373
Equipment	75,000	151,500	20,879	54,121
Improvements	-	-	6,854	(6,854)
Contingencies	6,490	6,490	-	6,490
Total Expenditures	<u>492,050</u>	<u>568,550</u>	<u>507,759</u>	<u>(15,709)</u>
Excess of Revenues Over (Under) Expenditures				
Before Other Financing Sources (Uses)	-	(30,000)	(81,948)	(81,948)
Other Financing Sources (Uses)				
Transfers In	-	-	50,000	50,000
Transfers Out	-	-	(2,500)	(2,500)
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>47,500</u>	<u>47,500</u>
Excess of Revenues and Other Sources				
Over (Under) Expenditures and Other Uses	<u>-</u>	<u>(30,000)</u>	<u>(34,448)</u>	<u>(34,448)</u>
		Budget Basis	\$ (34,448)	
		Change in Revenue Accruals	-	
		Change in Expenditure Accruals	5,032	
		GAAP Basis	<u>\$ (29,416)</u>	

See independent auditor's report and notes to financial statements.

**PEARDALE-CHICAGO PARK FIRE PROTECTION DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF NET PENSION
 LIABILITY - CALPERS
 JUNE 30, 2017**

Year Ended June 30, 2017	Safety
District's proportionate share of the net pension liability (asset)	0.00144%
District's proportionate share of the net pension liability (asset)	\$124,380
District's covered-employee payroll	\$116,890
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	106.40%
Plan fiduciary net position as a percentage of the total pension liability	78.97%

See the accompanying notes to the required supplementary information.

**PEARDALE-CHICAGO PARK FIRE PROTECTION DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS - CALPERS
JUNE 30, 2017**

Year Ended June 30, 2017	Safety
Contractually required contribution	\$ 21,614
Contributions in relation to the contractually required contribution	(21,614)
Contribution Deficiency (Excess)	\$ -
District's covered-employee payroll	\$ 116,890
Contributions as a percentage of covered-employee payroll	18.49%

See the accompanying notes to the required supplementary information.

**PEARDALE-CHICAGO PARK FIRE PROTECTION DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2017**

1. CHANGES OF BENEFIT TERMS

Public agencies who participate in CalPERS can make changes to their plan provisions, and such changes occur on an ongoing basis. A summary of the plan provisions that were used for a specific plan can be found in the plan's annual valuation report.

2. CHANGES OF ASSUMPTIONS

- A. In February 2014, the CalPERS Board adopted new actuarial assumptions. The most significant change to the actuarial assumptions that the Board adopted was the inclusion of future mortality improvement. The actuarial assumptions adopted by the Board are designed to ensure greater sustainability and soundness of the defined benefit pension plans and will be better at predicting future experience resulting in more secure retirement benefits in the decades to come. The current experience study was based on demographic CalPERS data for years 1997 to 2011. The study focused on recent patterns of termination, death, disability, retirement and salary increases. These new assumptions were reflected in the total pension liabilities as of June 30, 2013. The 2013 liabilities were rolled forward to the measurement date of June 30, 2014, using standard update procedures.

- B. GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 and June 30, 2016 measurement dates is without reduction of pension plan administrative expenses.

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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

Members of the Board of Directors
Peardale-Chicago Park Fire Protection District
Chicago Park, 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 financial statements of the governmental activities and each major fund of Peardale-Chicago Park Fire Protection District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 10, 2018.

Internal Control Over Financial Reporting

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

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 below, we identified a deficiency in internal control that we consider to be a material weakness.

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 below to be a material weakness.

Finding 17-01 - Reliance on the Auditor for Generally Accepted Accounting Principles
(uncorrected from previous year)

Condition: Management relies on the auditor to prepare for approval the adjusting journal entries for accruals and the footnote disclosures required for the District's financial statements to be in compliance with generally accepted accounting principles.

Criteria: Auditing standards state that the auditor may not be part of an organization's internal control system. Someone within the organization must be knowledgeable in generally accepted accounting principles and capable of preparing financial statements in conformity with generally accepted accounting principles.

Cause: The District does not employ an accountant educated or trained in generally accepted accounting principles and does not contract with such an individual or firm to prepare financial statements in conformity with generally accepted accounting principles prior to the annual audit.

Effect: Unknown

Recommendation: We recommend that if it is necessary for the District to issue financial statements to third party users prior to the annual audit, management consider the cost benefit of hiring an accountant familiar with generally accepted accounting principles or hiring an independent CPA firm to compile full-disclosure financial statements.

Response: Management has determined there is no cost-benefit to hiring an accountant familiar with generally accepted accounting principles and feels that the District Secretary and fire chief provide reliable financial statements for management and board decision-making and reliance upon the auditor for generally accepted accounting principles and disclosures is cost effective. However, should the need arise for issuing financial statements to third-party users prior to the annual audit, management will consider the cost benefit of hiring an accountant familiar with generally accepted accounting principles or hiring an independent CPA firm to compile full-disclosure financial statements.

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*.

Peardale-Chicago Park Fire Protection District's Response to Finding

The District's response to the finding identified in our audit is described above. 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.

A handwritten signature in black ink that reads "Jensen Smith". The signature is written in a cursive, flowing style.

Jensen Smith
Certified Public Accountants, Inc.
Lincoln, California
May 10, 2018

P.O. Box 160
Lincoln, CA 95648
Office (916) 434-1662
Fax (916) 434-1090

May 10, 2018

Board of Directors
Peardale-Chicago Park Fire Protection District
Chicago Park, California

In planning and performing our audit of the financial statements of the Peardale-Chicago Park Fire Protection District (District) for the year ended June 30, 2017, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during an audit we may come across matters that should be considered and corrected to assure maximum compliance and operating efficiency. We previously reported on the District's internal control in our report dated May 10, 2018 (page 31). This letter does not affect our report dated May 10, 2018, on the financial statements of the District (page 1). We would like you to keep in mind the following item:

- 1) If you choose to compensate or reimburse any member of the board of directors, keep in mind that the board will be subject to AB1234 which requires biennial ethics training for all board members.

If you have any questions, feel free to contact us.

Sincerely,



Jensen Smith
Certified Public Accountants, Inc.
Lincoln, California