

WOODLAKE FIRE PROTECTION DISTRICT

ANNUAL FINANCIAL REPORTS

JUNE 30, 2016

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Independent Auditor's Report

Board of Commissioners
Woodlake Fire Protection District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of the Woodlake Fire Protection District, Woodlake, California, as of and for the year ended June 30, 2016, and the related notes to the basic financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of governmental activity of the Woodlake Fire Protection District, as of June 30, 2016, 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 as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts..

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 22, and the Schedule of Changes in the Net Pension Liability and Related Ratios and Schedule of Contributions pages 24 and 25, 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 the 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 inquires 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2017 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 District's internal control over financial reporting and compliance.

Infinity Accountancy Group, LLP

Arroyo Grande, California
February 7, 2017

BASIC FINANCIAL STATEMENTS

**WOODLAKE FIRE PROTECTION DISTRICT
GOVERNMENTAL FUND BALANCE SHEET
AND STATEMENT OF NET POSITION
JUNE 30, 2016**

	Balance Sheet	Adjustments	Statement of Net Position
ASSETS			
Cash and investments	\$ 520,064	\$ -	\$ 520,064
Cash and investments - restricted	21,674	-	21,674
Accounts receivable	640	16,767	17,407
Capital assets:			
Depreciable, net of accumulated depreciation	-	425,778	425,778
Total assets	542,378	442,545	984,923
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pensions	-	30,767	30,767
LIABILITIES			
Accounts payable	17,636	-	17,636
Accrued expenses	16,988	-	16,988
Compensated absences	13,571	22,594	36,165
Net pension liability	-	81,561	81,561
Long-term liabilities	-	105,779	105,779
Total liabilities	48,195	209,934	258,129
DEFERRED INFLOWS OF RESOURCES			
Deferred pensions	-	66,737	66,737
FUND BALANCE/NET POSITION:			
Fund balance:			
Restricted	21,674	(21,674)	-
Assigned	341,172	(341,172)	-
Unassigned	131,337	(131,337)	-
Net position:			
Net investment in capital assets	-	319,999	319,999
Restricted	-	21,674	21,674
Unrestricted	-	349,151	349,151
Total fund balance/net position	\$ 494,183	\$ 196,641	\$ 690,824

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

**WOODLAKE FIRE PROTECTION DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2016**

Total fund balances-governmental funds	\$	494,183
<p>Amounts reported for <i>governmental activities</i> in the statement of net position are different because:</p>		
<p>Long-term receivables in governmental activities that are not collected soon enough after year end to be used to pay liabilities of current period (usually 60 days) are not reported as assets in the governmental fund. However, all receivables are reported in the statement of net position.</p>		16,767
<p>Capital assets used in governmental activities are not current financial resources, and therefore are not reported in the funds:</p>		
Cost of capital assets at June 30, 2016	\$	795,031
Accumulated depreciation at June 30, 2016		(369,253)
		425,778
<p>Net increase for capital assets</p>		
		425,778
<p>Deferred inflows of resources and deferred outflows of resources:</p>		
<p>Deferred outflows of resources are not current assets of financial resources; and deferred inflows of resources are not due and payable in the current period and therefore are not reported in the governmental funds:</p>		
Deferred pension outflows of resources		30,767
Deferred pension inflows of resources		(66,737)
<p>Long-term liabilities were not due and payable in the current period. Therefore, they were not reported in the governmental fund balance sheet:</p>		
Compensated absences		(22,594)
Net pension liability		(81,561)
Long-term liabilities		(105,779)
		(210,134)
Net position of governmental activities	\$	690,824

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

**WOODLAKE FIRE PROTECTION DISTRICT
STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE AND STATEMENT OF ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2016**

	Governmental Fund Revenues, Expenditures and Changes in Fund Balance	Adjustments	Statement of Activity
REVENUES			
Property taxes	\$ 95,626	\$ -	\$ 95,626
Other property assessments	255,551	-	255,551
Grant proceeds	39,369	-	39,369
Debt proceeds	18,631	(18,631)	-
Interest	4,421	-	4,421
Sale of assets	540	-	540
Other	187,937	11,111	199,048
	<u>602,075</u>	<u>(7,520)</u>	<u>594,555</u>
Total revenues			
EXPENDITURES			
Current:			
Salaries and employee benefits	335,931	(20,768)	315,163
Telephone	3,810	-	3,810
Office supplies and postage	1,957	-	1,957
Repairs and maintenance, fire station	7,860	-	7,860
Repairs and maintenance, vehicles and equipment	9,392	-	9,392
Fuel and oil	6,055	-	6,055
Supplies	19,278	-	19,278
Utilities	8,538	-	8,538
Taxes and assessments	-	-	-
Contractual services, county dispatch fees	1,884	-	1,884
Insurance	6,407	-	6,407
Professional services	1,800	-	1,800
Publications and legal services	-	-	-
Training, travel, conferences and meetings	2,509	-	2,509
Special department expenditures	7,437	-	7,437
Depreciation	-	39,774	39,774
Fire prevention	924	-	924
Miscellaneous	1,444	-	1,444
Debt service:			
Principal	22,830	(22,830)	-
Interest	5,028	-	5,028
Capital outlay	68,599	(68,599)	-
	<u>511,683</u>	<u>(72,423)</u>	<u>439,260</u>
Total expenditures			
Net change in fund balance	90,392	(90,392)	-
Change in net position	-	155,295	155,295
Fund balance/net position			
Beginning of the year	403,791	131,738	535,529
End of the year	<u>\$ 494,183</u>	<u>\$ 196,641</u>	<u>\$ 690,824</u>

The accompanying notes are an integral part of this financial statement.

**WOODLAKE FIRE PROTECTION DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES ON FUND BALANCE OF GOVERNMENTAL
FUND TO THE STATEMENT OF ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2016**

Net changes in fund balances - total governmental funds \$ 90,392

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

Revenue is recorded in the governmental funds as it is collected but is reported when earned in the statement of activities. 11,111

Governmental activities report capital outlay in the governmental funds statement as expenditures in the period they are incurred. However, in the statement of activity the costs of those assets are not expensed in the period of expenditure but are included with the assets of the District as a whole and depreciated over their estimated useful lives.

Capital for 2015-16 68,599
Depreciation expense for 2015-16 (39,774)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statements of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Proceeds from long-term debt (18,631)
Repayment of long-term liabilities principal 22,830 4,199

Compensated absences 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 fund. (3,704)

Certain pension expenses in the statement of activities are recognized on the accrual basis of accounting in accordance with GASB Statement No. 68. 24,472

Change in net position of governmental activities \$ 155,295

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

WOODLAKE FIRE PROTECTION DISTRICT
Notes to Basic Financial Statements
June 30, 2016

Note 1: **Summary of Significant Accounting Policies**

The Governmental Accounting Standards Boards (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the principles are described below.

A. Organization

Woodlake Fire Protection District (the District) was formed February 11, 1924, to provide fire protection and related services to the City of Woodlake and surrounding areas.

B. Reporting Entity

The District's basic financial statements include the accounts of all its operations. The District evaluated whether any other entity should be included in these basic financial statements. The criteria for including organizations as component units within the District's reporting entity include whether:

- The organization is legally separate (can sue and be sued in its name)
- The District holds the corporate powers of the organization
- The District appoints a voting majority of the organization's board
- The District is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the District
- There is fiscal dependency by the organization on the District
- Exclusion of the organization would render the financial statements incomplete or misleading

Based on these criteria, the District has no component units. Additionally, the District is not a component unit of any other reporting entity as defined by the GASB statements.

C. Government-wide and fund financial statements

The accounts of the District are organized on the basis of fund accounting. Under fund accounting, different types of District operations are accounted for in different funds, each with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures as appropriate. Resources are allocated to and accounted for in individual funds, based upon the purpose for which they are to be spent and the means by which spending activities are controlled. Since the District does not have any financial resources that are required to be accounted for in other funds, it utilizes only a "General Fund" for its operations.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when susceptible to accrual (i.e. when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible soon enough thereafter to be used to pay liabilities of the current period (within 60 days).

Expenditures are generally recognized when the related fund liability is incurred, except that principal and interest on general long-term debt is recognized when due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

WOODLAKE FIRE PROTECTION DISTRICT
Notes to Basic Financial Statements
June 30, 2016

Note 1: **Summary of Significant Accounting Policies** (continued)

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* are the only activities conducted by the District. The District conducts no *business-type* activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The District has no proprietary funds.

D. 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 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 imposed 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 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due. Capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as *other financing sources*.

Those revenues susceptible to accrual include sales taxes, intergovernmental revenues, interest and charges for services.

Grant revenues are recognized in the fiscal year in which all eligibility requirements are met. Under the terms of grant agreements, the District may fund certain programs and projects with a combination of cost reimbursement grants and general revenues. Thus, both restricted and unrestricted net position may be available to finance program and project expenditures.

WOODLAKE FIRE PROTECTION DISTRICT
Notes to Basic Financial Statements
June 30, 2016

Note 1: **Summary of Significant Accounting Policies** (continued)

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods or services, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Certain indirect costs are included in program and project expenses reported for individual functions and activities.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

E. Major funds

GASB Statement 34 defines major funds and requires that the District's major governmental funds be identified and presented separately in the fund financial statements. The District currently has no non-major funds.

Major funds are defined as funds that have either assets, liabilities, revenues or expenditures equal to ten percent of their fund-type total and five percent of the grand total. The general fund is always a major fund. The District may also select other funds it believes should be presented as major funds.

The District reports the following major governmental funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

F. Cash

The District holds its cash in the County of Tulare's and the City of Woodlake's treasuries. The County and City maintain cash and investment pools. Each fund type's portion of these pools is displayed on the combined balance sheet as "cash." Cash in excess of current requirements is invested in various interest bearing securities. Interest is apportioned quarterly to the various funds, based on the average monthly balance. Information, regarding categorization of investments, can be found in the County of Tulare's and City of Woodlake's financial statements.

G. Capital Assets

Capital assets, which include equipment, are reported in the governmental activities column of the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

WOODLAKE FIRE PROTECTION DISTRICT
Notes to Basic Financial Statements
June 30, 2016

Note 1: **Summary of Significant Accounting Policies** (continued)

As the District acquires additional capital assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs, which are amounts essentially spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimates. In the case of donations, capital assets are valued at their estimated fair value at the date of the donations.

Capital assets of the District are depreciated using the straight line method and the estimated useful life of equipment is 3 – 16 years.

H. Receivables and Payables

Activity between funds that represents current portion of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either “due to/from other funds.” Grant revenues are recorded as “due from other governments” when all eligibility requirements have been met. The corresponding governmental revenues are recorded when they become available, with the differences recorded in deferred revenue.

I. Use of Management Estimates

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

J. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as a liability of the District. Employees do not gain a vested right to accumulated sick leave; therefore, accumulated sick leave benefits are not recognized as liabilities of the District, but are recorded as expenditures in the year the sick leave is taken.

K. Net Position/Fund Balance

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

Net investment in capital assets – This category groups all capital assets into one component of net position. Accumulated depreciation reduces the balance in this category.

Restricted net position – This category presents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions of enabling legislation.

Unrestricted net position – This category represents net position of the District, not restricted for any project or other purpose.

The fund financial statements utilize a fund balance presentation. Fund balances are categorized as nonspendable, restricted, committed, assigned, and unassigned.

WOODLAKE FIRE PROTECTION DISTRICT
Notes to Basic Financial Statements
June 30, 2016

Note 1: **Summary of Significant Accounting Policies** (continued)

Nonspendable – to reflect amounts that cannot be spent because they are (1) not in spendable form, such as prepaid items, inventories, and long-term receivables for which the payment of proceeds are not restricted or committed with respect to the nature of the specific expenditures of that fund, or (2) legally or contractually required to remain intact.

Restricted – to reflect amounts that are restricted by external parties such as creditors or imposed by grants, laws, or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Committed – to reflect amounts that can only be used for specific purposes pursuant to constraints imposed by a formal action by the entity’s “highest level of decision-making authority,” which the District considers to be the District Board. As of June 30, 2015, the District had no committed fund balance.

Assigned – to reflect amounts that have been allocated by action of the District Board in which the District’s intent is to use the funds for a specific purpose.

Unassigned – to reflect amounts that constitute the residual balances that have no restrictions placed on them.

The District does not have a policy on the order of spending of unrestricted amounts when an expenditure is incurred for which amounts in any of the unrestricted fund balance classifications could be used. Therefore, by default under GASB Statement No. 54, the District uses committed resources first, then assigned resources, and unassigned resources last as they are needed.

L. Stewardship (Budget)

Budgetary Information

The District operates under a budget prepared and approved annually by the Board of Commissioners. The budget is prepared on a detailed line item basis. Revenues are budgeted by source and expenditures are budgeted by use (salaries and employee benefits, services and supplies, other charges, fixed asset acquisitions and contingencies). Once approved, the Board of Commissioners may amend the adopted budget when unexpected modifications are required in estimated revenues and expenditures.

Excess Expenditures over Appropriations

For this fiscal year ended June 30, 2016, the expenditures exceeded appropriations by \$123,084. The major factor of this was salaries and employee benefits. Out-of-county fire activity is the major cause of this variance, which had an overage in budgeted revenues of \$171,937 for the same period.

Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. These taxes are levied from July 1 through June 30. Taxes are payable in two installments on November 1 and February 1 and are collected December 10 and April 10. Unsecured property taxes are payable in one installment on or before August 31. The County of Tulare bills and collects the taxes for the District.

WOODLAKE FIRE PROTECTION DISTRICT
Notes to Basic Financial Statements
June 30, 2016

Note 2: **Cash**

Cash and cash investments at June 30, 2016, were as follows

Cash and cash investments as of June 30, 2016, were as follows:

Cash in County of Tulare Treasury	\$ 327,675
Cash in City of Woodlake Treasury	214,063
Total cash and cash investments	\$ 541,738

Restricted and unrestricted cash and cash investments:

Unrestricted	\$ 520,064
Restricted	21,674
Total cash and cash investments	\$ 541,738

Statutes authorize districts to invest cash in obligations of the U.S. Treasury and U.S. agencies, certificates of deposit, bankers' acceptances, repurchase agreements, insured money market accounts, commercial paper, county investment pools and the State Treasurer's Local Agency Investment Fund.

Cash of the District deposited with the City of Woodlake Treasury is invested in savings accounts and short term investments by the City Finance Director, under their cash management programs. Interest income is allocated to the District by the City of Woodlake (the District's fiscal agents), based on its average daily cash balances.

The District's cash in City of Woodlake Treasury and cash in County Treasury are not subject to credit risk categorization and are carried at cost, which approximates fair value. All pooled funds are regulated by the California Government Code.

Fair Value Measurement

As defined in GASB Statement No. 72, *Fair Value Measurement and Application*, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The City of Woodlake and County of Tulare Treasuries use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

GASB Statement No. 72 establishes a hierarchy of inputs to valuation techniques used to measure fair value. That hierarchy has three levels:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – Observable inputs, other than Level 1 prices, for asset or liability, either directly or indirectly;
- Level 3 – Unobservable inputs for the asset or liability.

For fiscal year ended June 30, 2016, the application of valuation technique applied to the District's financial statements has been consistent.

WOODLAKE FIRE PROTECTION DISTRICT
Notes to Basic Financial Statements
June 30, 2016

Note 3: **Capital Assets**

A summary of changes in the general fixed assets follows:

	Balance July 1, 2015	Additions	Retirements	Balance June 30, 2016
Equipment	\$ 726,432	\$ 68,599	\$ -	\$ 795,031
Accumulated Depreciation	(329,479)	(39,774)	-	(369,253)
Net book value	<u>\$ 396,953</u>	<u>\$ 28,825</u>	<u>\$ -</u>	<u>\$ 425,778</u>

Note 4: – **Long-term Liabilities**

The following is a summary of changes in long-term liabilities reported in the government-wide financial statements:

	Balance July 1, 2015	Debt Proceeds	Principal Payments	Balance June 30, 2016
USDA Loan 02	\$ 60,243	\$ -	\$ 12,425	\$ 47,818
USDA Loan 05	49,735	-	5,121	44,614
Ford lease	-	18,631	5,284	13,347
Totals	<u>\$ 109,978</u>	<u>\$ 18,631</u>	<u>\$ 7,141</u>	<u>\$ 105,779</u>

The note payable to United States Department of Agriculture (USDA Loan 02) bears interest at 4.25 percent per annum. Principal and interest are payable in semi-annual installments of \$7,428 due November 5 and May 5, with the final payment due November 5, 2019. This note is secured by equipment.

The note payable to United States Department of Agriculture (USDA Loan 05) bears interest at 3.5 percent per annum. Principal and interest are payable in semi-annual installments of \$3,409 due November 8 and May 8, with the final payment due November 8, 2023. This note is secured by equipment.

The lease payable to the Ford Motor Credit Company bears interest at 6.20 percent per annum. Principal and interest are payable in quarterly installments of \$1,855 beginning November 14, 2015. The District received a grant in the amount of \$16,500 towards the purchase of the 2016 Ford interceptor (cost \$34,706).

WOODLAKE FIRE PROTECTION DISTRICT
Notes to Basic Financial Statements
June 30, 2016

Note 4: – **Long-term Liabilities (continued)**

Principal and interest repayment requirements of long-term debt are as follows:

	Principal	Interest
2017	\$ 24,466	\$ 3,413
2018	26,146	2,670
2019	19,779	1,895
2020	13,132	1,089
2021	6,091	727
2022-2026	16,165	860
Totals	\$ 105,779	\$ 10,654

Note 5: **Employee Retirement System**

A. General Information about the Pension Plans

Plan Descriptions – All qualified permanent and probationary employees are eligible to participate in the Woodlake Fire Protection District’s separate Safety (police) and Miscellaneous (all other) Plans. These Plans are cost-sharing, multiple-employer defined benefit pension plans administered by the California Public Employees’ Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and Woodlake Fire Protection 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 (calpers.ca.gov).

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. All members are eligible for non-duty disability benefits after five years of service. The death benefits are: 1) Basic Death Benefit; the 1957 Survivor Benefit, Level 3, if qualified; or 3) Optional Settlement 2W Death Benefit (if decedent is at least age 50). The District has contracted for the Special Death Benefit for public safety members, whose death is the direct result of a violet act while on duty. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law

WOODLAKE FIRE PROTECTION DISTRICT
Notes to Basic Financial Statements
June 30, 2016

Note 5: **Employee Retirement System** (continued)

The Plans' provisions and benefits in effect at June 30, 2016, are summarized as follows:

	Safety	
	<u>Classic Members</u> ^{1 3}	<u>New Members</u> ^{2 3}
Hire date		
Benefit formula	2% @ 55	2.0% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	57
Monthly benefits, as a % of eligible compensation	2.0%	2.0%
Required employee contribution rates	7%	9.5%
Required employer contribution rates	14.007%	9.5%

¹ Classic members are defined as: 1) employees currently working for the City that were hired before January 1, 2013, 2) new hires, who previously worked for a CalPERS agency and did not have a break in service of greater than 6 months, and 3) new hires eligible for reciprocity with another California public retirement system.

² New members are defined as employees that: 1) have never worked for a CalPERS agency, 2) have worked previously for a CalPERS agency, and had a break in service of greater than 6 months, or 3) have never worked for a CalPERS agency and are not eligible for reciprocity with another Public retirement system.

³ Rehired employees return to the plan established as of their original hire date.

Employees Covered – At of the June 30, 2015 measurement date, the following employees were covered by the benefit terms for each Plan:

	<u>Safety</u>
Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	0
Active employees	6
Total	<u>7</u>

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 both 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 Woodlake Fire Protection District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

B. Net Pension Liability

The Woodlake Fire Protection District's net pension liability for each Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2015, using an annual actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

WOODLAKE FIRE PROTECTION DISTRICT
Notes to Basic Financial Statements
June 30, 2016

Note 5: **Employee Retirement System** (continued)

Actuarial Assumptions – The total pension liabilities in the June 30, 2015 actuarial valuations were determined using the following actuarial assumptions:

	Safety
Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.0%
Projected Salary Increase	3.3% - 14.2% (1)
Investment Rate of Return	7.65% (2)
Mortality	7%

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

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

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website (calpers.ca.gov) under Forms and Publications.

Discount Rate – The discount rate used to measure the total pension liability was 7.65% 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 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 percent will be 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 from the CalPERS website under the GASB 68 section.

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.

WOODLAKE FIRE PROTECTION DISTRICT
Notes to Basic Financial Statements
June 30, 2016

Note 5: **Employee Retirement System** (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, 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.

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>New Strategic Allocation</u>	<u>Real Return Years 1 - 10(a)</u>	<u>Real Return Years 1 - 11+(b)</u>
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
Total	<u>100.0%</u>		

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

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

WOODLAKE FIRE PROTECTION DISTRICT
Notes to Basic Financial Statements
June 30, 2016

Note 5: Employee Retirement System (continued)

C. Changes in the Net Pension Liability

The changes in the Net Pension Liability for each Plan follows:

Safety Plan:

	Increase (Decrease)		
	Total Pension Liability (TPL)	Plan Fiduciary Net Position (FNP)	Net Pension Liability/(Asset)
Balance at June 30, 2014	\$557,412	\$456,533	\$100,879
Changes in the year:			
Recognized difference in proportion (TPL & FNP)	34,935	66,430	(31,495)
Recognized difference in proportion (DOR & DIR)		31,381	(31,381)
Service cost	29		29
Interest on the total pension liability	104		104
Differences between actual and expected experience	(5)		(5)
Changes in assumptions	(26)		(26)
Contribution - employer		17,847	(17,847)
Contribution - employee (paid by employer)		10	(10)
Contribution - employee		0	0
Net investment income		24	(24)
Benefit payments, including refunds of employee contributions	13,694	13,694	0
Administrative expenses		(1)	1
Proportion credit		(61,336)	61,336
Net changes	<u>48,731</u>	<u>68,049</u>	<u>(19,318)</u>
Balance at June 30, 2015	<u>\$606,143</u>	<u>\$524,582</u>	<u>\$81,561</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the Woodlake Fire Protection District for each Plan, calculated using the discount rate for each Plan, as well as what the Woodlake Fire Protection District’s 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:

	Safety
1% Decrease	6.65%
Net Pension Liability	\$52,852
Current Discount Rate	7.65%
Net Pension Liability	\$81,561
1% Increase	8.65%
Net Pension Liability	\$16,655

Pension Plan Fiduciary Net Position – Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

WOODLAKE FIRE PROTECTION DISTRICT
Notes to Basic Financial Statements
June 30, 2016

Note 5: **Employee Retirement System** (continued)

D. Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2016, the Woodlake Fire Protection District recognized pension expense of \$4,720. At June 30, 2016, the Woodlake Fire Protection District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of resources	Safety Deferred Outflows of resources
Pension contributions subsequent to measurement date	\$ 30,767	\$ -
Difference between actual and expected experience	-	(4)
Net difference between projected and actual earnings on pension plan investments	-	(10)
Changes in assumptions	-	(19)
Employer contributions under proportional contribution	-	(15,806)
Adjustments due to differences in proportions	-	(50,898)
	\$ 30,767	\$ (66,737)
Total	\$ 30,767	\$ (66,737)

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 June 30	Safety
2017	\$ 5,491
2018	(24,472)
2019	(17,001)
2020	12
2021	-
Thereafter	-
	\$ (35,970)

Note 6: **Commitments and Contingencies**

Tulare County Fire Department Agreement

Effective July 1, 2007, the District provides an area for the Tulare County Fire Department to park one fire truck unit and allows them to have a desk in the front office to be used during normal business hours seven days a week. In exchange, the Tulare County Fire Department will provide emergency dispatch services. Management has estimated the value of these services is \$6,825 for the year ended June 30, 2016.

Lease of Building

Effective August 1, 2013, the District entered into a long-term lease agreement to rent a building to a local entity. The terms of the lease are monthly rent of \$500 through July 31, 2016, with the option to extend the agreement for two additional three year terms. Total rents received under this agreement during the current fiscal year were \$6,000.

WOODLAKE FIRE PROTECTION DISTRICT
Notes to Basic Financial Statements
June 30, 2016

Note 7: **Subsequent Events**

Subsequent events have been evaluated through February 7, 2017, the date these financial statements have been made available to be issued. There were no subsequent events identified by management which would require disclosure in the financial statements.

Note 8: **Recent Accounting Pronouncements**

GASB Statement No. 72 - *Fair Value Measurement and Application*. The provisions of GASB Statement No. 72 are effective for financial statements beginning after June 15, 2015. See Note 2 for further discussion.

GASB Statement No. 73 - *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. The provisions of GASB Statement No. 73 are effective for financial statements beginning after June 15, 2015, except those provisions that address employers and governmental non-employer contributing entities for pensions that are within the scope of GASB Statement No. 68, which are effective for the fiscal years beginning after June 15, 2016. Implementation of this Statement did not have a material impact on the District's financial statements.

GASB Statement No. 74 - *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The provisions of GASB Statement No. 74 are effective for financial statements beginning after June 15, 2016. Management has not yet determined the impact of this Statement on its financial statements.

GASB Statement No. 75 - *Accounting and Reporting for Postemployment Benefit Plans Other Than Pensions*. The provisions of GASB Statement No. 75 are effective for financial statements beginning after June 15, 2017. Management has not yet determined the impact of this Statement on its financial statements.

GASB Statement No. 76 - *The Hierarchy of Generally Accepted Accounting Principles of State and Local Governments*. The provisions of GASB Statement No. 76 are effective for financial statements beginning after June 15, 2015. Implementation of this Statement did not have a material impact on the District's financial statements.

GASB Statement No. 77 - *The Abatement Disclosures*. The provisions of GASB Statement No. 77 are effective for financial statements beginning after December 15, 2015. Management has not yet determined the impact of this Statement on its financial statements.

GASB Statement No. 78 - *Pensions Provide through Certain Multiple-Employer Defined Pension Plans*. The provisions of GASB Statement No. 78 are effective for financial statements beginning after December 15, 2015. Management has not yet determined the impact of this Statement on its financial statements.

GASB Statement No. 79 - *Certain External Investment Pools and Pool Participants*. The provisions of GASB Statement No. 79 are effective for reporting periods beginning after June 15, 2015, except for the provisions in paragraphs 18, 19, 23-26, and 40, which are effective for reporting periods beginning after December 15, 2015. Management has not yet determined the impact of this Statement on its financial statements.

WOODLAKE FIRE PROTECTION DISTRICT
Notes to Basic Financial Statements
June 30, 2016

Note 8: **Recent Accounting Pronouncements** (continued)

GASB Statement No. 80 – Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14. The provisions of GASB Statement No. 80 are effective for reporting periods beginning after June 15, 2016. Management has determined the impact of this Statement on its financial statements is not applicable.

GASB Statement No. 81 – Irrevocable Split-Interest Agreements. The provisions of GASB Statement No. 81 are effective for reporting periods beginning after December 15, 2016. Management has not yet determined the impact of this Statement on its financial statements.

GASB Statement No. 82 – Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73. The provisions of GASB Statement No. 82 are effective for reporting periods beginning after June 15, 2016, except for the requirements of paragraph 7 in a circumstance in which an employer’s pension liability is measured as of a date other than the employer’s most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Management has not yet determined the impact of this Statement on its financial statements.

GASB Statement No. 83 – Certain Asset Retirement Obligations. The provisions of GASB Statement No. 83 are effective for reporting periods beginning after June 15, 2018. Management has not yet determined the impact of this Statement on its financial statements.

GASB Statement No. 84 – Fiduciary Activities. The provisions of GASB Statement No. 84 are effective for reporting periods beginning after December 15, 2018. Management has not yet determined the impact of this Statement on its financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**WOODLAKE FIRE PROTECTION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - ORIGINAL, FINAL AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance Favorable (Unfavorable)
	Original	Final		
<u>Revenues</u>				
Property taxes	\$ 60,000	\$ 60,000	\$ 95,626	\$ 35,626
Other property assessments	250,000	250,000	255,551	5,551
Grant proceeds	-	58,599	39,369	(19,230)
Debt proceeds	-	-	18,631	18,631
Interest	4,000	4,000	4,421	421
Sale of assets	-	-	540	540
Other	16,000	16,000	187,937	171,937
	<u>330,000</u>	<u>388,599</u>	<u>602,075</u>	<u>213,476</u>
<u>Expenditures</u>				
Current:				
Salaries and employee benefits	229,300	229,300	335,931	(106,631)
Telephone	3,800	3,800	3,810	(10)
Office supplies and postage	2,200	2,200	1,957	243
Repairs and maintenance, fire station	3,000	3,000	7,860	(4,860)
Repairs and maintenance, vehicles and equipment	5,000	5,000	9,392	(4,392)
Fuel and oil	7,000	7,000	6,055	945
Supplies	5,000	5,000	19,278	(14,278)
Utilities	8,500	8,500	8,538	(38)
Taxes and assessments	-	-	-	-
Contractual services, county dispatch fees	1,800	1,800	1,884	(84)
Insurance	6,200	6,200	6,407	(207)
Professional services	6,500	6,500	1,800	4,700
Publications and legal notices	100	100	-	100
Training, travel, conferences and meetings	3,500	3,500	2,509	991
Special department expenditures	2,500	2,500	7,437	(4,937)
Fire Protection	1,000	1,000	924	76
Miscellaneous	-	-	1,444	(1,444)
Contingencies	10,037	10,037	-	10,037
Debt service:				
Principal	22,830	22,830	22,830	-
Interest	1,733	1,733	5,028	(3,295)
Other interest	-	-	-	-
Capital outlay	10,000	68,599	68,599	-
	<u>330,000</u>	<u>388,599</u>	<u>511,683</u>	<u>(123,084)</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	90,392	<u>\$ 90,392</u>
Fund Balance, Beginning			<u>403,791</u>	
Fund Balance, End			<u>\$ 494,183</u>	

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

REQUIRED SUPPLEMENTAL INFORMATION

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

- The beginning and ending balances of the District's share of total pension liability, the plan assets available for pension benefits (called plan fiduciary net position), and the net pension liability
- A ratio of the District's share of plan net position divided by the total pension liability, the payroll amount for employees in the plan (covered-employee payroll), and a ratio of the District's share of net pension liability divided by covered-employee payroll

SCHEDULE OF CONTRIBUTIONS

- If an agent employer's contributions to the plan are actuarially determined or based on statutory or contractual requirements: the agent employer's actuarially determined contribution to the pension plan (or, if applicable, its statutorily or contractually required contribution), the employer's actual contributions, the difference between the actual and actuarially determined contributions (or statutorily or contractually required), and a ratio of the actual contributions divided by covered-employee payroll.

WOODLAKE FIRE PROTECTION DISTRICT
 FOR THE YEAR ENDED JUNE 30, 2016
 Last 10 Years*

Schedule of District's Proportionate Share of Net Pension Liabilities ad Related Ratios

	Safety	
	June 30, 2015	June 30, 2014
District's Proportionate Share of Plan Total Pension Liability	\$ 606,143	\$ 557,412
District's Proportionate Share of Plan Fiduciary Net Position	\$ 524,582	\$ 456,533
District's Proportionate Share of Fiduciary Net Position as a Percentage of District's Total Pension Liability	86.544%	81.902%
District's Proportionate Share of Net Pension Liability(Asset)	\$ 81,561	\$ 100,879
District's Covered-Employee Payroll	\$ 129,129	\$ 125,622
District's Proportionate Share of Net Pension Liability(Asset) as a Percentage of its Covered Payroll	63.16%	80.30%

Notes to Schedule:

* - Fiscal year 2015 was the 1st year of implementation; historical information is required only for measurement periods during which GASB 68 was in effect.

WOODLAKE FIRE PROTECTION DISTRICT
 FOR THE YEAR ENDED JUNE 30, 2016
 Last 10 Years*
SCHEDULE OF CONTRIBUTIONS

	Safety	
	2016	2015
Actuarially determined contribution	\$ 30,767	\$ 30
Contributions in relation to the actuarially determined contributions	30,767	30
Contribution deficiency (excess)	\$ -	\$ -
Covered-employee payroll	\$ 133,003	\$ 129,129
Contributions as a percentage of covered-employee payroll	23.13%	0.02%

Notes to Schedule

Valuation date: 6/30/2015 6/30/2014

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	15 years
Asset valuation method	5-year smoothed market
Inflation	3.50%
Salary increases	4.5%, average, including inflation of 3.0%
Investment rate of return	7.65%, net of pension plan investment expense, including inflation
Retirement age	67 yrs. Misc., 57 yrs. Safety
Mortality	RP-2000 Healthy Annuitant Mortality Table

* - Fiscal year 2015 was the 1st year of implementation; historical information is required only for measurement periods during which GASB 68 was in effect.

OTHER REPORT



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LISA KIZANIS, EA

**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**

Independent Auditor's Report

Board of Commissioners
Woodlake Fire Protection District
Woodlake, 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 basic financial statements the governmental activity and the major fund of the Woodlake Fire Protection District, Woodlake, California (District) as of and for the year ended June 30, 2016, and the related notes to the financial statements which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 7, 2017.

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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of District's internal control. Accordingly, we do not express an opinion on the effectiveness of District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in the internal control, described in the accompanying schedule of findings and responses that we consider to be a material weakness 2016-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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 Findings

The District's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. 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.

Infinity Accountancy Group, LLP

Arroyo Grande, California
February 7, 2017

**WOODLAKE FIRE PROTECTION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES**

FOR THE YEAR ENDED JUNE 30, 2016

Finding: 2016-001 Material Weakness

Reconciling Accounts to Supporting Documentation – Accounting Controls

Criteria: In accordance with *Government Auditing Standards* and accounting principles generally accepted in the United States of America, internal controls should be designed to provide reasonable assurance of achieving effective and efficient operations, reliable financial performance reporting, or compliance with applicable laws and regulations.

Condition: The District does not reconcile its general ledger accounts to supporting documents. In order to make the interim and annual financial statements meaningful, we recommend the District reconcile the general ledger activity to supporting CalPERS documentation on a monthly or routine basis.

Effect: The absence of performing monthly and/or routine reconciliations provides an opportunity that errors can accumulate and these errors may go undetected. The benefit of monthly reconciliations is that errors do not accumulate but can be identified and attributed to a particular period (month), which makes it easier to perform future reconciliations.

Cause: Management has not reviewed its policies and procedures to ensure that general ledger accounts are supported by adequate documentation on a monthly or routine basis. Management is responsible for establishing and maintaining internal controls, including reconciling general ledger accounts to supporting documents and pension administration.

Recommendation: We recommend management establish monthly and/or routine reconciliation policies and procedures for balance sheet accounts and pension administrator, and review that they are completed for interim and year end reporting.

Views of responsible officials: *The District agrees with finding 2016-001. A routine reconciliation policy will be established for internal controls. The reconciliation payment with PERS was agreed upon in December 2016.*

**WOODLAKE FIRE PROTECTION DISTRICT
STATUS OF PRIOR YEAR AUDIT FINDINGS**

FOR THE YEAR ENDED JUNE 30, 2016

Finding: 15-01 Material Weakness

Reconciling Accounts to Supporting Documentation – Accounting Controls

Criteria: In accordance with *Government Auditing Standards* and accounting principles generally accepted in the United States of America, internal controls should be designed to provide reasonable assurance of achieving effective and efficient operations, reliable financial performance reporting, or compliance with applicable laws and regulations.

Recommendation: We recommend management establish monthly and/or routine reconciliation policies and procedures for balance sheet accounts, and review that they are completed for interim and year end reporting.

Views of responsible officials and planned corrective actions: *Management will establish monthly and/or routine reconciliation policies and procedures for balance sheet accounts, and review that they are completed for interim and year end reporting.*

Status: See current finding **2016-001**. Issues related to pension administration continued.