Lake Valley Fire Protection District

FINANCIAL STATEMENTS

AUDIT REPORT

June 30, 2018

May 22, 2019

Lake Valley Fire Protection District

South Lake Tahoe, CA

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of Lake Valley Fire Protection District as of and for the year-ended June 30, 2018, as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America applicable to financial audits contained in Governmental Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that our audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Certified Public Accountant | Zachary Pehling | Master of Business Administration
12667 Granite Drive | Truckee, CA 96161 | Phone: 707-279-4259 | www.PehlingCPA.com | Zach@PehlingCPA.com

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lake Valley Fire Protection District as of June 30, 2018, and the respective changes in financial position, and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

The District has not presented Management's Discussion and Analysis or budgetary comparison information that accounting principles generally accepted in the United States of America require be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated **May 22, 2019**, on our consideration of the Lake Valley Fire Protection District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Zach Pehling, CPA, MBA

Certified Public Accountant | Zachary Pehling | Master of Business Administration
12667 Granite Drive | Truckee, CA 96161 | Phone: 707-279-4259 | www.PehlingCPA.com | Zach@PehlingCPA.com

Lake Valley Fire Protection District

Audit Report
June 30, 2018

TABLE OF CONTENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Lake Valley Fire Protection District

Statement of Net Position
June 30, 2018

ASSETS	2018	2017
Current Assets:		
Cash (Note 2)	$ 2,490,074	$ 2,519,368
Accounts Receivable (Note 3)	292,939	197,637
Total Current Assets	2,783,013	2,717,005
Capital Assets: (Note 1 - Capital Assets)		
Land	131,232	131,232
Buildings & Improvements	1,834,113	1,834,113
Vehicles	2,510,514	2,510,514
Firefighting Equipment	493,140	493,140
Less: Accumulated Depreciation	(2,980,288)	(2,811,458)
Total Capital Assets	1,988,711	2,157,541
TOTAL ASSETS	4,771,724	4,874,546
DEFERRED OUTFLOW		
Deferred Grant Retention (Note 1 - Deferred Outflows)	163,611	150,590
GASB 75 - OPEB	52,119	-
GASB 68 Pension (Note 7)	2,710,073	1,983,502
TOTAL DEFERRED OUTFLOW	2,925,803	2,134,092
TOTAL ASSETS AND DEFERRED OUTFLOWS	7,697,527	7,008,638
LIABILITIES		
Current Liabilities:		
Accounts Payable	222,545	159,046
Accrued Payroll Liabilities	132,908	84,411
Accrued Compensated Absences (Note 4)	1,101,042	974,066
Unearned Revenue (Note 1 - Unearned Revenue)	217,872	341,414
Current Portion of Long-term Debt	204,839	204,839
Total Current Liabilities	1,879,206	1,763,776
Long-term Liabilities:		
Long Term Debt (Note 5)	-	204,838
Net Pension Liability (Note 7)	8,815,690	7,506,852
Net Other Post Employment Benefit (Note 6)	1,600,844	486,998
Total Long-term Liabilities	10,416,534	8,198,688
TOTAL LIABILITIES	12,295,740	9,962,464
DEFERRED INFLOWS		
GASB 75 OPEB	109,997	-
GASB 68 Pension (Note 7)	432,959	452,200
TOTAL DEFERRED INFLOWS	542,956	452,200
TOTAL LIABILITIES AND DEFERRED INFLOWS	12,838,696	10,414,664
NET POSITION		
Net Investment in Capital Assets	1,988,711	2,157,541
Restricted		
Capital Projects	90,779	90,779
Other Purposes	107,266	107,266
Unrestricted	(7,327,925)	(5,761,612)
TOTAL NET POSITION	$ (5,141,169)	$ (3,406,026)

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

Lake Valley Fire Protection District
Statement of Activities
For the Year-Ended
June 30, 2018

	Expenses	Operating Revenues: Charges for Services	Operating Revenues: Operating Grants and Contributions	2018 Excess of Revenues/(Expenses)	2017 Excess of Revenues/(Expenses)
Governmental Activities					
Public Protection	7,279,038	533,745	635,617	(6,109,676)	(4,179,264)
Interest on Long-Term Debt	16,797	-	-	(16,797)	(25,195)
Depreciation (Unallocated)	168,830	-	-	(168,830)	(178,263)
Total Governmental Activites				(6,295,303)	(4,382,722)
General Revenues:					
Tax Revenue				4,492,238	4,156,045
Direct Assesment				151,829	150,359
Developer Fees				27,338	15,750
Interest & Investment Earnings				20,272	43,528
Admin Income				288,130	-
Miscellaneous				609,773	27,771
Rent				56,736	-
Sale of Fixed Assets				5,000	90,379
Total General Revenues				5,651,316	4,483,832
NET CHANGE IN NET POSITION				(643,987)	101,110
NET POSITION, BEGINNING OF YEAR				(3,406,026)	(3,507,136)
Prior-period adjustment				(1,091,156)	-
NET POSITION, END OF YEAR				$ (5,141,169)	$ (3,406,026)

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

GOVERNMENT FUNDS FINANCIAL STATEMENTS

Lake Valley Fire Protection District

Balance Sheet
June 30, 2018

	2018	2017
ASSETS & DEFERRED OUTFLOW		
Assets:		
Cash (Note 2)	2,490,074	$ 2,519,368
Accounts Receivable (Note 3)	292,939	197,637
Total Assets	2,783,013	2,717,005
Deferred Outflow:		
Due from Other Governments	73,992	$ -
Deferred Grant Retention (Note 1 - Deferred Outflows)	163,611	150,590
Total Deferred Outflow	237,603	150,590
TOTAL ASSETS & DEFERRED OUTFLOWS	3,020,616	2,867,595
LIABILITIES, DEFERRED INFLOWS & FUND BALANCES		
Liabilities:		
Accounts Payable	222,713	159,046
Accrued Payroll	132,908	84,411
Unearned Revenue (Note 1 - Unearned Revenue)	217,704	341,414
Total Liabilities	573,325	584,871
Deferred Outflow:		
Due to Other Governments	73,992	-
TOTAL LIABILITIES & DEFERRED INFLOWS	647,317	584,871
Fund Balances:		
Unassigned	1,518,575	1,411,941
NonSpendable	500	500
Restricted	113,206	107,266
Committed	741,018	763,017
Total Fund Balance	2,373,299	2,282,724
TOTAL LIABILITIES & FUND BALANCE	$ 2,946,624	$ 2,867,595

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

Lake Valley Fire Protection District

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

June 30,2017

	2018
Total Fund Balances - Governmental Funds	$ 2,373,299
Capital Assets used in Governmental Funds are not financial resources and therefore are not reported as assets in the Governmental Funds.	
Total Historical Cost of Capital Assets	4,968,999
Less: Accumulated Depreciation	(2,980,288)
Compensated Absences are reported in the Government-Wide Statement of Net Assets, but they do not require the use of current financial resources. Therefore, the liability is not reported in Governmental Funds.	(1,101,042)
Net Other Postemployment Benefits Obligation is not do and payable in the current period and therefore is not reported as a liability in the Governmental Funds. Net Other Postemployment Benefits Obligation at June 30 were:	(1,600,844)
Deferred Outflows not due and receivable in the current period and therefore are not reported as an asset in the governmental funds. This is comprised of GASB 68 Pension Outflows. Deferred Outflows at June 30 was:	2,762,192
Deferred Inflows are not due in the current period and therefore, are not reported as liabilities in the governmental funds.This is comprised of GASB 68 Pension Inflows. Deferred Inflows at June 30 was:	(542,956)
Long-term liabilities are not due in the current period and therefore, are not reported as liabilities in the governmental funds.	(9,020,529)
Net Position	$ (5,141,169)

The accompanying notes are an integral part of these financial statemnets

Lake Valley Fire Protection District

Statement of Revenues, Expenditures & Change in Fund Balance
For the Year Ended
June 30, 2018

REVENUE	2018	2017
Taxes and Intergovernmental	4,492,238	$ 4,156,045
Charges for Services	533,745	1,036,533
Direct Assessment	151,829	150,359
Developer Fees	27,338	15,750
Grant Revenue	635,617	360,464
Other Revenue	609,773	27,771
Admin Income	288,130	-
Sale of Fixed Assets	5,000	145,770
Rent	56,736	-
Use of Money & Property	20,272	43,528
TOTAL REVENUE	6,820,678	5,936,220
EXPENDITURES		
Debt Service		
Principle Retirement	204,839	204,838
Interest Expense	16,797	25,195
Capital Assets	46,584	78,453
Insurance	23,239	26,681
Maintenance	205,631	158,555
Other Charges	-	-
Professional Fees	292,462	187,042
Salaries and Employee Benefits	5,441,841	4,980,268
Services, Supplies and Refunds	149,102	178,621
Special Department Expense	248,783	187,076
Transportation & Travel	68,732	66,736
Utilities	32,093	35,898
TOTAL EXPENDITURES	6,730,103	6,129,363
Excess (Deficit) Revenues over Expenditures	90,575	(193,143)
CHANGE IN FUND BALANCE	90,575	(193,143)
FUND BALANCE, BEGINNING OF YEAR	2,282,724	$ 2,475,867
FUND BALANCE, END OF YEAR	$ 2,373,299	$ 2,282,724

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

Lake Valley Fire Protection District

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

June 30,2017

Net Change in Fund Balances - Total Governmental Funds	$ 90,575
Amounts reported for governmental activities in the Statement of Activities are different as follows:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets are allocated over the estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense during the year	
Current Year Capital Outlays	-
Less: Current Year Depreciation Expense	(168,830)
In the Governmental Funds CalPers expenditures are measured by the amount of financial resources used, which is the amounts actually paid. In the Government-Wide Statement of Activities, CalPers expenditures are measured by the amounts expensed during the year	(563,026)
In the Governmental Funds revenues are measured by the amount of financial resources received. In the Government-Wide Statement of Activities, revenues are measured by the amounts earned during the year	-
In the Governmental Funds compensated absences (sick pay and vacation) are measured by the amount of financial resources used, which is the amounts actually paid. In the Government-Wide Statement of Activities, compensated absences are measured by the amounts earned during the year	(126,977)
Repayment of principle on long-term liabilities is an expenditure for Governmental funds, but the repayment reduces long-term liabilities on the Government-Wide Statement of Net Position. Principle payments made on long-term liabilities during the year consist of:	204,839
In the Government Funds Retiree healthcare expenditures is measured by the amount of financial resources used, which is the amounts actually paid. In the Government-Wide Statement of Activities,Retiree healthcare expense is measured by the amounts accrued during the year. Retiree healthcare paid was more of (less) than accrued.	(80,568)
Change in Net Position of Governmental Activities	$ (643,987)

The accompanying notes are an integral part of these financial statements

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED June 30, 2018

Lake Valley Fire Protection District (the "District") was organized in 1947 to provide fire protection within an area surrounding Lake Tahoe, of incorporated areas of the City of South Lake Tahoe. Powers of the District are exercised through a five member Board of Directors elected by the voting population within the District.

The District operates three fire stations, employs twenty six (26) full time firefighters, an administrative Assistant/PIO, a Fire Mechanic, a part-time Fuels Division Office Manager. In addition, the District is a member agency of the Cal Tahoe Emergency Services Operations Authority, which provides advanced life support emergency medical services, including ambulance transport within the South Lake Tahoe Region (El Dorado County Service Area 3).

The District's mission is to protect its community, it's people, and environment by providing the highest level of fire suppression, emergency medical, rescue, disaster, hazardous materials and fire prevention services to all residents and visitors in the District.

Note 1 - Significant Accounting Policies

Accounting Principles

The financial statements of the District have been prepared in conformity with general accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA) are the accepted standard-setting bodies for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below

Basis of Accounting and Measurement Focus

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

Financial Statement Presentation

Government-Wide Financial Statements

The District Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities and Changes in Net Position. These statements present summaries of Governmental and Business-Type Activities for the District accompanied by a total column.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the District's assets and liabilities, including capital assets as well as infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the District are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

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

The District's governmental-wide fund balance is classified in the following categories:

> Net Investment in Capital Assets - Includes amount of the fund balance that is invested in capital assets net of any related debt.
>
> Restricted - Includes amounts that can be spent only for the specific purposes stipulated by a formal action of the government's highest level of decision-making authority, external resource providers, constitutionally, or through enabling legislation.
>
> Unrestricted - Includes amounts that are technically available for any purpose and includes all amounts not contained in other classifications.

Fund Financial Statements

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

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

> Nonspendable - Includes amounts that are not in a spendable form or are required to be maintained intact.

Restricted - Includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally, or through enabling legislation.

Committed - Includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. Commitments may be changed or lifted only by the government take the same formal action that imposed the constraint originally.

Assigned - Includes amounts intended to be used by the government for specific purposes. Intent can be expressed by the governing body or by an official or body to which the governing body delegates authority.

Unassigned - Includes amounts that are technically available for any purpose and includes all amounts not contained in other classifications.

Use of Restricted/Unrestricted Net Position

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

Budgets and Budgetary Accounting

An annual budget is adopted on a basis consistent with generally accepted accounting principles for all governmental funds. By state law, the District's Board of Directors must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's Governing board satisfied these requirements.

This budget is reviewed by the District Board of Directors during the year to give consideration to unanticipated income and expenditures. The final revised budget is presented for the General Fund as required supplementary information in the financial statements.

Pooled Cash and Investments

The County sponsors an investment pool that is managed by the County Treasurer for the purpose of increasing interest earnings through investment activities. Cash and investments for most County activities are included in the investment pool. Interest earned on the investment pool is distributed to the participating funds monthly using a formula based on the average daily balance of each fund

The California Government Code requires California banks and savings and loan associations to secure the County's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such a collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the County's name.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments were stated at cost, as the fair market value adjustment at the yearend was immaterial.

Accounts Receivable

On an accrual basis, revenues are recognized in the fiscal year in which the services are rendered. The District has not established an allowance for uncollectable receivables for Governmental or Grant Funds since prior experience has shown that uncollectable receivables are not significant.

Grants Receivable

On an accrual basis, revenues are recognized in the fiscal year in which the services are rendered. The District has not established an allowance for uncollectable receivables for Governmental or Grant Funds since prior experience has shown that receivables are fully collectable.

Capital Assets

Capital assets purchased or acquired with an original cost of $500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over and estimated useful life of 5 to 10 years depending on the asset class. The District currently does not have formal capitalization and depreciation policies.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred outflow/inflows of resources, represents an acquisition/disposition of net position that applies to future period(s) and will not be recognized as an outflow/inflow of resources until that time.

Liability for Compensated Absences

The District is required to recognize a liability for employees' rights to receive compensation for future absences. All vacation and vested sick pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Unearned Revenue

The District recognizes a liability when it receives money in advance of providing services. Other unearned revenues are recorded as an offset for deferred outflows relating to retention. Upon final grant closeout revenues will be released to the District.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position

Property Taxes

The District receives property taxes from El Dorado County. Property taxes become a lien on the first day of the year they are levied. Secured property tax is levied on July 1 and due in two installments, on November 1 and February 1. They become delinquent on December 10 and April 10 respectively. The District elected to receive the property taxes from the County under the Teeter Bill Program which results in the District receiving the cash equivalent of 100% of the taxes for that year regardless of their collection status. The County retains all penalties and interest which are collected with delinquent taxes. The District currently levies a direct assessment at a tax rate of $10 per unimproved parcel, $20 per residential parcel and $40 per commercial parcel. This assessment was approved by the voters. The District receives these taxes in installments as they are collected.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Note 2 – Cash

Summary of Cash

	Amount	Credit Quality Rating
County Treasury	$ 2,490,074	Not Rated
Commercial Banks	500	Not Rated
Total Cash	$ 2,490,574	

Cash in County Treasury

The District maintains substantially all of its cash with the county treasurer as an involuntary participant of a common investment pool. Interest is deposited into participating funds. The balance available for withdrawl is based on the accounting records maintained by the county treasurer, which is recorded on the amortized cost basis.

Cash in Commercial Banks

Cash balances held in commercial bank accounts are insured to $250,000 by the Federal Deposit Insurance Corporation. These amounts are held within various financial institutions. As of June 30, 2018 the carrying amount of the District's account was $500, all of which was insured

Risk Disclosures

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures.

Interest Rate Risk – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Pool and having the pool purchase a combination of shorter and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Credit Risk – Credit Risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest only in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool. Bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District was not exposed to credit risk.

Custodial Credit Risk – Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name. At year end, the District was not exposed to custodial risk.

Concentration of credit risk – This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

Foreign Currency Risk – This risk is the risk that exchange rate will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign credit risk.

Note 3 –Accounts Receivable

On June 30, 2018, the District had $ 292,939 in Accounts Receivable as detailed below:

Cal Tahoe JPA	$ 58,179
Cal Tahoe Conservancy	34,718
Bureau of Land Management	120,415
Tahoe RCD	31,956
Other	47,671
Total Accounts Receivable	$ 292,939

Note 4 – Compensated Absences

On June 30, 2018, the liability for compensated absences was $ $1,101,042

Note 5 - Long-Term Debt

On May 12, 2012 the Board of Directors passed Resolution No. 1012-6 which authorized the June 1, 2012 issuance of its 2012 Taxable Pension Obligations note (the "Refunding Note"). The Resolution provided for issuance of a principle note not to exceed $1,500,000 for the purpose of refunding its Side Fund Obligation to the California Public Employee's Retirement System. On June 18, 2012 the District borrowed $1,433,872 from a bank by issuing the aforementioned Refunding Note.

Loan maturities for each of the five years following June 30, 2018, are as follows:

2019	204,839
2020	-
2021	-
	$ 204,839

Note 6 - Other Post Employment Benefits

Plan Description

In addition to pension benefits described in Note 6, the District provides lifetime healthcare benefits through CalPERS Health Benefits Program, which covers both active and retired members. The District only pays up to the required minimum employee premium contribution calculated using the unequal contribution method. At June 30, 2018, twelve (12) retired employees met those eligibility requirements.

Requirements of GASB 75

The Governmental Accounting Standards Board (GASB) issued GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes standards for the measurement, recognition, and disclosure of OPEB expense and related liabilities (assets), note disclosures, and, required supplementary information (RSI) in the financial reports of state and local governmental employers.

Funding Policy

The contribution requirements of the District and plan members are established and may be amended by the District's Board of Directors.

On an ongoing basis, the District will be reviewing its assumptions, comparing them to actual experience and recalculating the needed funding with the goal of payment for post employment benefits out of interest earned on designated funds.

Annual OPEB Expense

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB:

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED June 30, 2018

The exhibit below shows the development of Net Position and Expense as of the Measurement Date.

Plan Summary Information for FYE June 30, 2018 *Measurement Date is June 30, 2017*		**Lake Valley Fire Protection District**
Items Impacting Net Position:		
Total OPEB Liability	$	1,600,844
Fiduciary Net Position		-
Net OPEB Liability (Asset)		1,600,844
Deferred (Outflows) Inflows of Resources Due to:		
Assumption Changes		109,997
Plan Experience		-
Investment Experience		-
Deferred Contributions		(52,119)
Net Deferred (Outflows) Inflows of Resources		57,878
Impact on Statement of Net Position, FYE 6/30/2018	**$**	**1,658,722**
Items Impacting OPEB Expense:		
Service Cost	$	100,392
Cost of Plan Changes		-
Interest Cost		45,282
Expected Earnings on Assets		-
Recognized Deferred Resource items:		
Assumption Changes		(12,987)
Plan Experience		-
Investment Experience		-
OPEB Expense, FYE 6/30/2018	**$**	**132,687**

The exhibit below shows deferred resources as of the fiscal year end June 30, 2018.

Lake Valley Fire Protection District	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	$ -	$ 109,997
Differences Between Expected and Actual Experience	-	-
Net Difference Between Projected and Actual Earnings on Investments	-	-
Deferred Contributions	52,119	-
Total	$ 52,119	$ 109,997

The District will recognize the Contributions Made Subsequent to the Measurement Date in the next fiscal year. In addition, future recognition of these deferred resources is shown below.

For the Fiscal Year Ending June 30	Recognized Net Deferred Outflows (Inflows) of Resources
2019	$ (12,987)
2020	(12,987)
2021	(12,987)
2022	(12,987)
2023	(12,987)
Thereafter	(45,062)

The discount rate used for the fiscal year end 2018 is 3.13%. Healthcare cost trend rate reflects actual increases known as of January 1, 2019, followed by 7.0% (effective January 1, 2020) and grading down by 0.5% per year to 5.0% for years 2024 and thereafter. The impact of a 1% increase or decrease in these assumptions is shown in the chart below.

Sensitivity to:			
Change in Discount Rate	**Current - 1% 2.13%**	**Current 3.13%**	**Current + 1% 4.13%**
Total OPEB Liability	1,894,454	1,600,844	1,371,152
Increase (Decrease)	293,610		(229,692)
% Increase (Decrease)	18.3%		-14.3%
Net OPEB Liability (Asset)	1,894,454	1,600,844	1,371,152
Increase (Decrease)	293,610		(229,692)
% Increase (Decrease)	18.3%		-14.3%
Change in Heathcare Cost Trend Rate	**Current Trend - 1%**	**Current Trend**	**Current Trend + 1%**
Total OPEB Liability	1,359,771	1,600,844	1,914,277
Increase (Decrease)	(241,073)		313,433
% Increase (Decrease)	-15.1%		19.6%
Net OPEB Liability (Asset)	1,359,771	1,600,844	1,914,277
Increase (Decrease)	(241,073)		313,433
% Increase (Decrease)	-15.1%		19.6%

Employer Contributions District Service Benefit

Year Ended	Annual OPEB Expense	Actual Contribution	Percentage Contributed
6/30/18	$ 132,687	$ 52,119	39.3%

This is the first year of adoption of GASB 75 and as such there is no prior comparative information

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrences of events far into the future. Examples include assumptions about future employment, mortality and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer as subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to actuarial accrued liabilities for benefits.

Section 3 - Actuarial Methods and Assumptions

Valuation Date	June 30, 2018
Funding Method	Entry Age Normal Cost, level percent of pay
Asset Valuation Method	Market value of assets ($0; plan is not yet funded)
Discount Rate	2.68% as of June 30, 2016 3.13% as of June 30, 2017
Participants Valued	Only current active employees and retired participants and covered dependents are valued. No future entrants are considered in this valuation.
Salary Increase	3.25% per year; since benefits do not depend on pay, this is used only to allocate the cost of benefits between service years
Assumed Wage inflation	3.0% per year; a component of assumed salary increases
General Inflation Rate	2.75% per year

Demographic actuarial assumptions used in this valuation are based on the 2017 experience study of the California Public Employees Retirement System using data from 1997 to 2015, except for a different basis used to project future mortality improvements. Rates for selected age and service are shown below and on the following pages. The representative mortality rates were those published by CalPERS adjusted to back out 15 years of Scale MP 2016 to central year 2015.

Mortality Improvement — MacLeod Watts Scale 2018 applied generationally from 2015 (see Addendum 3)

Mortality Before Retirement
(before improvement applied)

CalPERS Public Agency Miscellaneous Non-Industrial Deaths		
Age	Male	Female
15	0.00019	0.00004
20	0.00027	0.00008
30	0.00044	0.00018
40	0.00070	0.00040
50	0.00135	0.00090
60	0.00288	0.00182
70	0.00693	0.00438
80	0.01909	0.01080

CalPERS Public Agency Police & Fire Combined Industrial & Non-Industrial		
Age	Male	Female
15	0.00023	0.00008
20	0.00032	0.00013
30	0.00053	0.00025
40	0.00081	0.00050
50	0.00150	0.00104
60	0.00306	0.00200
70	0.00714	0.00459
80	0.01934	0.01105

Note 7 - Public Employees' retirement Plan:

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

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

Summary of Significant Accounting Policies

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

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

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

General Information about the Pension Plan

Plan Description, Benefits Provided and Employees Covered

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

Contribution Description

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. For Public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by the employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. It is the responsibility of the employer to make necessary accounting adjustments to reflect the impact due to any Employer Paid Member Contributions or situations where members are paying a portion of the employer contribution.

Actuarial Methods and Assumptions Used to determine Total Pension Liability

For the measurement period ending June 30, 2017 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2016 total pension liability. Both the June 30, 2017 total pension liability and the June 30, 2017 total pension liability were based on the following actuarial methods and assumptions:

The total pension liability was determined by rolling forward the total pension liability determined in the June 30, 2016, actuarial accounting valuation to June 30, 2017. The June 30, 2017, total pension liability was based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions	
Discount Rate	7.15%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table[1]	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

[1] 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. For more details on this table, please refer to the April 2014 CalPERS Experience Study and Review of Actuarial Assumptions report (based on CalPERS demographic data from 1997 to 2011) available online at https://www.calpers.ca.gov/docs/forms-publications/calpers-experience-study-2014.pdf.

Other significant actuarial assumptions used in the June 30, 2016, valuations were based on the results of the actuarial experience study for the period from 1997 to 2011.

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 geometric rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1-10[a]	Real Return Years 11+[b]
Global Equity	47.0%	4.9%	5.38%
Global Fixed Income	19.0	0.8	2.27
Inflation Sensitive	6.0	0.6	1.39
Private Equity	12.0	6.6	6.63
Real Estate	11.0	2.8	5.21
Infrastructure and Forestland	3.0	3.9	5.36
Liquidity	2.0	(0.4)	(0.9)

[a] An expected inflation of 2.5% used for this period.

[b] An expected inflation of 3.0% used for this period.

All other actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2007, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report call the "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

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

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

Pension Plan Fiduciary Net Position

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

Allocation of Net Pension Liability and Pension Expense to Individual Plans

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

(1) In determining a cost-sharing plans proportionate share, total amounts of liabilities and assets are first calculated for the Miscellaneous Risk Pool (risk pool) as a whole on the valuation date (2014). The risk pool's fiduciary net position (FNP) subtracted from its total pension liability (TPL) determines the net position liability (NPL) at the valuation date.

(2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2016). Risk Pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date.

(3) The individual plan's TPL, FNP and NPL are also calculated at the valuation date.

(4) Two ratios are created by dividing the plan's individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool's total TPL and FNP, respectively.

(5) The plan's TPL as of the Measurement Date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4).

The plan's FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.

(6) The plan's NPL at the Measurement Date is the difference between the TPL and FNP calculated in (5).

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

The plan's proportion of aggregate employer contributions is equal to the plan's proportion of FNP calculated in (4).

Ending Balances - Net Pension Liability & Deferred Outflows/Deferred Inflows of Resources Related to Pensions - 6/30/2018 Reporting Date:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	1,426,024	-
Differences between Expected and Actual Experience	71,407	-
Differences between Projected and Actual Investment Earnings	337,137	-
Differences between Employer's Contributions and Proportionate Share of Contributions	-	280,672
Change in Employer's Proportion	-	152,288
Pension Contributions Made Subsequent to Measurement Date	875,506	-
	2,710,073	432,959
Net Pension Liability as of 6/30/2018	8,815,690	

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED June 30, 2018

Pension Expense as of June 30, 2018 — 955,461

At 6/30/2018, proportionate shares of Net Pension Liability/(Asset) by plan(s):

	Proportionate Share of Net Pension Liability/(Asset)
Miscellaneous	286,072
Safety	8,529,619
Total	**8,815,690**

Proportionate share of the Net Pension Liability/(Asset) for the Plan as of 6/30/2017 and 6/30/2018:

	Miscellaneous	Safety	Total
Proportion - June 30, 2017	0.00714%	0.14015%	0.08675%
Proportion - June 30, 2018	0.00726%	0.14275%	0.08889%
Change - Increase/(Decrease)	0.00012%	0.00260%	0.00214%

Note: Due to the nature of calculating proportionate share of the Net Pension Liability/(asset), total proportion for all employer plans will not equal the sum of the miscellaneous proportion % and the safety proportion %

Other deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	Miscellaneous	Safety	Total
2019	$ 56,272	$ 68,637	$ 124,910
2020	23,182	890,503	913,685
2021	18,928	541,446	560,374
2022	(6,210)	(191,151)	(197,361)
2023	-	-	-
Thereafter	-	-	-
	92,172	1,309,436	$ 1,401,608

Schedules of Employer Contributions

	2018	2017	2016
Proportion of the net pension liability	0.088892%	0.086750%	0.08152%
Proportionate share of the net pension liability	$ 8,815,690	$ 7,506,852	$ 5,595,676
Covered - employee payroll - measurement period	$ 3,294,126	$ 3,191,039	$ 3,125,781
Proportionate share of the net pension liability as a percentage of covered payroll	267.62%	235.25%	179.02%
Plan fiduciary net position as a percentage of the total pension liability	75.84%	76.44%	81.91%
	2018	2017	2016
Contractually required contribution (actuarially determined)	$ 875,506	$ 751,256	$ 683,806
Contributions in relation to the actuarially determined contributions	875,506	751,256	683,806
Contribution deficiency (excess)	$ -	$ -	$ -
Covered - employee payroll - fiscal year	$ 3,191,039	$ 3,191,039	$ 3,125,781
Contributions as a percentage of covered - employee payroll	27.44%	23.54%	21.88%
Notes to Schedule:			
Valuation date:	June 30, 2016	June 30, 2015	June 30, 2014

Methods and assumptions used to determine contribution rates:

Amortized method	Entry age normal Level percentage of payroll, closed	
Remaining amortization period	13 years	14 years
Asset valuation method	5-year smoothed market	
Inflation	2.75%	2.75%
Salary increases	Varies by entry age and service	
Investment rate of return	'.50%, net of pension plan investmer expense, including inflation	

Notes to Schedule:
Change in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes)

Changes in assumptions: The June 30, 2017 Actuarial Valuation changed the discount rate from 7.65% (net of administrative expenses) to 7.15%

Omitted years: GASB Statement No. 68 was implemented during the year ended June 30, 2015. No information was available prior to this date.

Note 8 - Commitments and Contingencies

Grants

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time.

Joint Ventures

The District is a member agency of a Joint Powers Authority (JPA), the Cal Tahoe Emergency Services Operations Authority that was formed in 200 for the purpose of providing ambulance service and other pre-hospital emergency services for the area known in El Dorado County as CSA No. 3 South Shore area, except for the Tahoe West Shore Zone of Benefit. The other member agency is the City of South Lake

Tahoe. The District is reimbursed for all authorized costs incurred if the furtherance of this contract. The JPA is independently accountable for its fiscal matters and maintains its own accounting records. Each of the two member Fire Districts approves the JPA budget and their vote is carried by their Fire Chief to the Board. Separate financial statements for the JPA are available.

The District is also a member of the Fire Agencies Insurance Risk Authority (FAIRA) and Northern California Special Districts Insurance Authority (NCSDIA). These JPA's arrange for and/or provide insurance coverage for their members. Each JPA is governed by a board consisting of a representative for each member district. Each JPA board controls the operations of their JPA, including selection of management and approval of operating budgets independent of any influence by the member districts beyond their representation on the board. Each member district pays a premium commensurate to their participation in the JPA. Condensed financial statement for the FAIRA JPA and NCSDIA JPA for the year ended June 30, 2016 are not available.

The relationship between the District and the JPA's identified above is such that that JPA's are not component units of the District for financial reporting purposes.

Note 9 – Risk Management

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. For fiscal year 2017-2018, the District contracted with Fire Agencies Insurance Risk Authority, JPA (FAIRA) for property and liability insurance coverage and also for theft insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been significant change in coverage from the prior year.

Workers Compensation

For fiscal year 2017-2018, the District participated in the Northern California Special Districts Insurance Authority (NCSDIA), an insurance purchasing pool. The intent of the NCSDIA pool is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the NCSDIA pool. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the NCSDIA pool. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the NCSDIA pool. Participation in the NCSDIA pool is limited to districts that can meet the NCSDIA criteria.

Note 10 – Fund Equity

Nonspendable:	
Revolving Fund	$ 500
Total Unspendable	500
Restricted:	
Developer Fee Projects	94,465
Vision Self Insurance	5,470
Flexible Spending	13,271
PTEIR	-
Total Restricted	113,206
Committed:	
Compensated Absences	155,313
Other	494,926
Public Safety	90,779
Total Committed	741,018
Total Unassigned	$ 1,518,575

Note 11 – Subsequent Events

The District's management has evaluated events and transactions subsequent to June 30, 2018 for potential recognition or disclosure in the financial statements. Subsequent events have been evaluated through **May 22, 2019**, the date the financial statements because available to be issued. The entity has not evaluated subsequent events after **May 22, 2019**. The District did not have any subsequent events that require recognition or disclosure in the financial statements for the year ended June 30, 2018.

Note 12 – Prior-Period Adjustment

The District underwent a prior-period adjustment pertaining to the adoption of GASB 75. GASB 75 implenmentation required the District to add an actuarially accrued liability for retiree healthcare. The prior-period adjustment resulted in a decrease in Net Position of $(1,091,156).

Lake Valley Fire Protection District

Supplemental Information

June 30, 2018

May 22, 2019

Board of Directors
Lake Valley Fire Protection District

South Lake Tahoe, CA

INDEPENDENT REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

We have audited the financial statements of Lake Valley Fire Protection District as of and for the year ended June 30, 2018, and have issued our report thereon dated May 22, 2019. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal controls such there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Certified Public Accountant | Zachary Pehling | Master of Business Administration
12667 Granite Drive | Truckee, CA 96161 | Phone: 707-279-4259 | www.PehlingCPA.com | Zach@PehlingCPA.com

INDEPENDENT REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lake Valley Fire Protection District's general-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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

Zach Pehling, CPA, MBA