

**OPHIR HILL
FIRE PROTECTION DISTRICT,
CALIFORNIA**

**FINANCIAL STATEMENTS
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
JUNE 30, 2016**

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OPHIR HILL FIRE PROTECTION DISTRICT
Annual Financial Report
For the Year Ended June 30, 2016

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INTRODUCTORY SECTION

- **List of Officials**

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OPHIR HILL FIRE PROTECTION DISTRICT
Board of Directors
For the Year Ended June 30, 2016

Buckley Armacher

Chairman

Steve Borgnis

Vice Chairman

Monte Martin

Director

Anne Sousa

Director

Eric Peterson

Director

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FINANCIAL SECTION

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

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Ophir Hill Fire Protection District
Cedar Ridge, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Ophir Hill Fire Protection District, 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 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.

To the Board of Directors
Ophir Hill Fire Protection District
Cedar Ridge, California

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of June 30, 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.

Emphasis of Matter

As described in Note 1N to the financial statements, in 2016 the District implemented Governmental Accounting Standards Board (GASB) Statement Nos. 72, 73, 76 and 79. Our opinion is not modified with respect to these matters.

As reported in Note 8, the net pension liability is measure as of June 30, 2015 and the pension expense is for the measurement period 2014-15. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the District Pension Plan - Schedule of Proportionate Share of the Net Pension Liability, District Pension Plan - Schedule of Contributions, District Pension Plan - Notes to District Pension Plan, and budgetary comparison schedules as listed in the table of contents be presented to supplement the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

To the Board of Directors
Ophir Hill Fire Protection District
Cedar Ridge, California

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 4, 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 the District's internal control over financial reporting and compliance.

A handwritten signature in cursive script, appearing to read "Smith & Newell", written in dark ink.

Smith & Newell CPAs
Yuba City, California
May 4, 2017

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Basic Financial Statements

- **Government-Wide Financial Statements**

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OPHIR HILL FIRE PROTECTION DISTRICT
Statement of Net Position
June 30, 2016

	<u>Total Governmental Activities</u>
ASSETS	
Cash and investments	\$ 795,400
Receivables:	
Interest	132
Taxes	18,587
Assessments	10,887
Intergovernmental	37,549
Capital assets:	
Non depreciable	103,000
Depreciable, net	918,950
Total capital assets	<u>1,021,950</u>
Total Assets	<u>1,884,505</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension adjustments	<u>54,877</u>
Total Deferred Outflows of Resources	<u>54,877</u>
LIABILITIES	
Accounts payable	5,376
Salaries and benefits payable	44,930
Net pension liability	131,224
Long-term liabilities:	
Due within one year	6,542
Due in more than one year	45,784
Total Liabilities	<u>233,856</u>
DEFERRED INFLOWS OF RESOURCES	
Pension adjustments	<u>54,920</u>
Total Deferred Inflows of Resources	<u>54,920</u>
NET POSITION	
Investment in capital assets	1,021,950
Unrestricted	628,656
Total Net Position	<u>\$ 1,650,606</u>

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

OPHIR HILL FIRE PROTECTION DISTRICT
Statement of Activities
For the Year Ended June 30, 2016

<u>Functions/Programs</u>	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	
Governmental activities:					
Public protection	\$ 1,013,733	\$ 219,549	473,192	2,334	\$ (318,658)
Total Governmental Activities	1,013,733	219,549	473,192	2,334	(318,658)
Total	\$ 1,013,733	\$ 219,549	\$ 473,192	\$ 2,334	(318,658)
General revenues:					
Taxes:					
Property taxes					371,225
Prop 172					46,087
Interest and investment earnings					1,447
Miscellaneous income					17,426
Total General Revenues					436,185
Change in Net Position					117,527
Net Position - Beginning					1,533,079
Net Position - Ending					\$ 1,650,606

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

Basic Financial Statements

- **Fund Financial Statements**

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OPHIR HILL FIRE PROTECTION DISTRICT
Balance Sheet
Governmental Funds
June 30, 2016

	<u>General Fund</u>	<u>Mitigation Fund</u>	<u>Capital Reserve Fund</u>	<u>Total</u>
ASSETS				
Cash and investments	\$ 690,896	\$ 1,821	\$ 102,683	\$ 795,400
Receivables:				
Interest	132	-	-	132
Taxes	18,587	-	-	18,587
Assessments	10,887	-	-	10,887
Intergovernmental	37,549	-	-	37,549
Total Assets	<u>\$ 758,051</u>	<u>\$ 1,821</u>	<u>\$ 102,683</u>	<u>\$ 862,555</u>
LIABILITIES				
Accounts payable	\$ 5,376	\$ -	\$ -	\$ 5,376
Salaries and benefits payable	44,930	-	-	44,930
Total Liabilities	<u>50,306</u>	<u>-</u>	<u>-</u>	<u>50,306</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	37,370	-	-	37,370
Total Deferred Inflows of Resources	<u>37,370</u>	<u>-</u>	<u>-</u>	<u>37,370</u>
FUND BALANCES				
Restricted	-	1,821	-	1,821
Committed	-	-	102,683	102,683
Unassigned	670,375	-	-	670,375
Total Fund Balances	<u>670,375</u>	<u>1,821</u>	<u>102,683</u>	<u>774,879</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 758,051</u>	<u>\$ 1,821</u>	<u>\$ 102,683</u>	<u>\$ 862,555</u>

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

OPHIR HILL FIRE PROTECTION DISTRICT
Reconciliation of the Governmental Fund Balance Sheet
To the Government-Wide Statement of
Net Position - Governmental Activities
June 30, 2016

Total Fund Balances - Total Governmental Funds	\$ 774,879
 Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	1,021,950
Other long term assets are not available to pay for current period expenditures and therefore, are reported as unavailable revenues in the funds.	37,370
Deferred outflows of resources related to pensions are not reported in the governmental funds.	54,877
Deferred inflows of resources related to pensions are not reported in the governmental funds.	(54,920)
Certain liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds.	
Compensated absences	(52,326)
Net pension liability	<u>(131,224)</u>
 Net Position of Governmental Activities	 <u>\$ 1,650,606</u>

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

OPHIR HILL FIRE PROTECTION DISTRICT
Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2016

	General Fund	Mitigation Fund	Capital Reserve Fund	Total
REVENUES				
Taxes and assessments	\$ 588,960	\$ -	\$ -	\$ 588,960
Intergovernmental revenue	522,423	-	-	522,423
Use of money	984	7	456	1,447
Mitigation fees	-	1,814	-	1,814
Miscellaneous revenues	17,426	-	-	17,426
Total Revenues	1,129,793	1,821	456	1,132,070
EXPENDITURES				
Current public protection:				
Salaries and benefits	843,337	-	-	843,337
Clothing and uniforms	30,201	-	-	30,201
Household	3,328	-	-	3,328
Communications	12,790	-	-	12,790
Insurance	9,499	-	-	9,499
Maintenance:				
Equipment	5,162	-	-	5,162
Structures	1,353	-	-	1,353
Automobiles	7,539	-	-	7,539
Membership	1,386	-	-	1,386
Medical supplies	2,000	-	-	2,000
Miscellaneous	3,602	-	-	3,602
Supplies	3,959	-	-	3,959
Professional services	14,244	-	-	14,244
Small tools	7,158	-	-	7,158
Training	6,134	-	-	6,134
Fuel	9,843	-	-	9,843
Utilities	8,315	-	-	8,315
Capital outlay	35,504	-	-	35,504
Total Expenditures	1,005,354	-	-	1,005,354
Net Change in Fund Balances	124,439	1,821	456	126,716
Fund Balances - Beginning	545,936	-	102,227	648,163
Fund Balances - Ending	\$ 670,375	\$ 1,821	\$ 102,683	\$ 774,879

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

OPHIR HILL FIRE PROTECTION DISTRICT
Reconciliation of the Statement of Revenues, Expenditures
And Changes in Fund Balances of Governmental Funds to the
Government-Wide Statement of Activities - Governmental Activities
For the Year Ended June 30, 2016

Net Change in Fund Balances - Total Governmental Funds \$ 126,716

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for capital outlay	35,504
Less: current year depreciation	(67,378)
Capital asset contribution	2,334

Some revenues reported in the statement of activities will not be collected for several months after the District's year end and do not provide current financial resources and therefore are not reported as revenues in the governmental funds.

Change in unavailable revenue	(3,144)
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Certain changes in deferred outflows and deferred inflows of resources reported in the Statement of Activities relate to long-term liabilities and are not reported in the governmental funds.

Change in deferred outflows of resources related to pensions	(24,333)
Change in deferred inflows of resources related to pensions	16,915

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

Change in compensated absences	(2,553)
Change in net pension liability	33,466

Change in Net Position of Governmental Activities \$ 117,527

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

Basic Financial Statements

- **Notes to Basic Financial Statements**

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OPHIR HILL FIRE PROTECTION DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Ophir Hill Fire Protection District was organized in 1956 and established in September 1963 to provide for fire prevention and suppression and rescue services in the Cedar Ridge area of Nevada County. Revenues are derived principally from the county wide tax levy and a special assessment on improved and unimproved parcels within the District.

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

Component Units

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

Joint Agencies

The District is a participant in Nevada County Fire and Emergency Services Joint Powers Agency, the purpose of which is to provide emergency dispatch and other services from 1995 to the year 2014. The District participates in the Air Filling Station Services offered. Complete financial information can be obtained from the JPA's office at P.O. Box 3043, Grass Valley, CA 95945. The District is not financially accountable for this organization and therefore it is not a component unit under Statement Nos. 14, 39, and 61 of the Governmental Accounting Standards Board.

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

OPHIR HILL FIRE PROTECTION DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation

Government-Wide Financial Statements

The statement of net position and statement of activities display information on all the activities of the District. These statements include the financial activities of the overall District. Eliminations have been made to minimize the double counting of internal activities. These statements report the governmental activities of the District, which are normally supported by property taxes and special assessments. The District had no business-type activities at June 30, 2016.

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

Fund Financial Statements

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

The District reports the following major governmental funds:

- The General fund is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the District that are not accounted for through other funds. For the District, the General fund includes such activities as fire protection.
- The Mitigation fund is a special revenue fund used to accumulate fees collected for capital outlay for new development in the District.
- The Capital Reserve fund is a capital projects fund used to accumulate revenue for capital outlay.

C. Basis of Accounting and Measurement Focus

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 at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property tax, grants, entitlements, and donations. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

OPHIR HILL FIRE PROTECTION DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting and Measurement Focus (Continued)

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Charges for services, operating grants, and use of money and property are considered susceptible to accrual and are accrued when their receipt occurs within thirty days after the end of the fiscal year. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to claims and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of governmental long-term debt and acquisitions under capital leases are reported as other financing sources.

D. Non-Current Governmental Assets/Liabilities

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

E. Investments

The District pools all investments with the Local Agency Investment Fund (LAIF). The District's share in this pool is displayed in the accompanying financial statements as cash and investments.

Participant's equity in LAIF is determined by the dollar amount of participant deposits, adjusted for withdrawals and distributed investment income. Investment income is determined on an amortized cost basis. Interest payments, accrued interest, accreted discounts, amortized premiums, and realized capital gains and losses, net of administrative fees, are apportioned to pool participants every quarter. This method differs from the fair value method used to value investments in these financial statements as unrealized gains or losses are not apportioned to pool participants.

F. Receivables

Receivables for governmental activities consist mainly of interest, property taxes, assessments and intergovernmental revenues. Management believes its receivables are fully collectible and, accordingly, no allowance for doubtful accounts is required

G. Inventory

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

H. Capital Assets

Capital assets are defined by the District as assets with a cost of \$1,000 or more. Capital assets are recorded at historical cost or estimated historical cost if actual is unavailable. Contributed capital assets are recorded at their estimated fair value at the date of donation.

OPHIR HILL FIRE PROTECTION DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Capital Assets (Continued)

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

<u>Depreciable Asset</u>	<u>Estimated Lives</u>
Equipment	10-40 years
Structures and improvements	50 years

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

I. Property Tax

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

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

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

J. Compensated Absences and Postemployment Benefits

The District’s policy regarding vacation is to permit employees to accumulate earned but unused vacation leave. In the government-wide financial statements the accrued compensated absences are recorded as an expense and related liability, with the current portion estimated based on historical trends. In the governmental fund financial statements the expenditures related to those obligations are recognized only when they mature. The Authority includes its share of social security and medicare taxes payable on behalf of the employees in the accrual for compensated absences.

The District does not currently provide postemployment benefits.

OPHIR HILL FIRE PROTECTION DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Pensions

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

L. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The government has two types of items, which qualify for reporting in this category. One item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues for receivables that have not been received within the modified accrual period. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other item relates to the pension adjustment and is reportable on the statement of net position.

M. Estimates

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

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

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

Statement No. 72, Fair Value Measurement and Application. This statement addresses accounting and financial reporting issues related to fair value measurements. This statement provides guidance for determining a fair value measurement and for applying fair value to certain investments and disclosures related to all fair value measurements.

OPHIR HILL FIRE PROTECTION DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Implementation of Governmental Accounting Standards Board Statement (GASB)(Continued)

Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. This Statement establishes requirements for defined benefit pensions and defined contributions pensions that are not within the scope of Statement No. 68 as well as for the assets accumulated for purposes of providing those pensions.

Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. This statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction is not specified within a source of authoritative GAAP.

Statement No. 79, Certain External Investment Pools and Pool Participants. This statement establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes.

NOTE 2: CASH AND INVESTMENTS

A. Financial Statement Presentation

As of June 30, 2016, the District's cash and investments consisted of the following:

Cash:		
Deposits (less outstanding checks)	\$	272,590
Total Cash		272,590
Investments:		
California Local Agency Investment Fund (LAIF)		522,810
Total Investments		522,810
Total Cash and Investments	\$	795,400

B. Cash

At year end, the carrying amount of the District's cash deposits (including amounts in checking accounts) was \$272,590 and the bank balance was \$269,191. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit.

Custodial Credit Risk for Deposits - Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits or collateral securities that are in the possession of an outside party. The District complies with the requirements of the California Government Code. Under this code, deposits of more than \$250,000 must be collateralized at 105 percent to 150 percent of the value of the deposit to guarantee the safety of the public funds. At June 30, 2016, the uninsured and uncollateralized deposits were \$18,503.

OPHIR HILL FIRE PROTECTION DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2016

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

C. Investments

Investments are selected based on safety, liquidity and yield. The District's investment policy is more restrictive than the California Government Code. Under the provisions of the District's investment policy and the California Government Code, the District may invest or deposit in the following:

- Banker's Acceptances
- Commercial paper
- Local Agency Investment Fund
- Mutual funds
- Medium-term corporate notes
- Money market funds
- Negotiable certificates of deposit
- Repurchase agreements / Reverse repurchase agreements
- Securities of the Federal government or its agencies

Fair Value Measurements - The District measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and,
- Level 3: Unobservable inputs

The District's position in external investment pools is in its self regarded as a type of investment and looking through to the underlying investments of the pool is not appropriate. Therefore, the District's investment in external investment pools are not recognized in the three-tiered fair value hierarchy described above.

At June 30, 2016, the District had the following recurring fair value measurements:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by Fair Value Level				
None	\$ -	\$ -	\$ -	\$ -
Total Investments Measure at Fair Value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Investments in External Investment Pool				
Local Agency Investment Fund (LAIF)	<u>522,810</u>			
Total Investments	<u>\$ 522,810</u>			

OPHIR HILL FIRE PROTECTION DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2016

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

C. Investments (Continued)

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

Credit Risk - Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment policy sets specific parameters by type of investment to be met at the time of purchase.

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

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investments in a single issuer of securities. When investments are concentrated in one issuer, this concentration presents a heightened risk of potential loss. The District's investment policy contains limitations on the amount that can be invested in any one issuer. All investments of the District are in the Local Agency Investment Fund which contain a diversification of investments.

D. Investments in External Pools

Local Agency Investment Fund - The District maintains an investment in the State of California Local Agency Investment Fund (LAIF), managed by the State Treasurer. This fund is not registered with the Securities and Exchange Commission as an investment company, but is required to invest according to California State Code. The Local Investment Advisor Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. At June 30, 2015, the District's investment in LAIF valued at amortized cost was \$522,810 and is the same as the value of the pool shares. There are no restrictions on withdrawal of funds. The total amount invested by all public agencies in LAIF on that day was \$75,442,588,513. Of that amount, 97.19% is invested in non-derivative financial products and 2.81% in structured notes and asset-backed securities.

OPHIR HILL FIRE PROTECTION DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2016

NOTE 3: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2016, was as follows:

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Adjustments/ Retirements</u>	<u>Balance</u> <u>June 30, 2016</u>
Capital Assets, Not Being Depreciated:				
Land	\$ 103,000	\$ -	\$ -	\$ 103,000
Total Capital Assets, Not Being Depreciated	<u>103,000</u>	<u>-</u>	<u>-</u>	<u>103,000</u>
Capital Assets, Being Depreciated:				
Buildings and improvements	349,130	-	-	349,130
Equipment	1,266,317	37,838	-	1,304,155
Software	1,620	-	-	1,620
Total Capital Assets, Being Depreciated	<u>1,617,067</u>	<u>37,838</u>	<u>-</u>	<u>1,654,905</u>
Less accumulated depreciation for:				
Buildings and improvements	(170,764)	(7,942)	-	(178,706)
Equipment	(497,489)	(59,112)	-	(556,601)
Software	(324)	(324)	-	(648)
Total Accumulated Depreciation	<u>(668,577)</u>	<u>(67,378)</u>	<u>-</u>	<u>(735,955)</u>
Total Capital Assets, Being Depreciated, Net	<u>948,490</u>	<u>(29,540)</u>	<u>-</u>	<u>918,950</u>
Total Capital Assets, Net	<u>\$ 1,051,490</u>	<u>(\$ 29,540)</u>	<u>\$ -</u>	<u>\$ 1,021,950</u>

Depreciation

Depreciation expense was charged to governmental activities as follows:

Public Protection	<u>\$ 67,378</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 67,378</u>

NOTE 4: LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2016:

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Due Within</u> <u>One Year</u>
Compensated Absences	\$ 49,773	\$ 29,295	(\$ 26,742)	\$ 52,326	\$ 6,542
	<u>\$ 49,773</u>	<u>\$ 29,295</u>	<u>(\$ 26,742)</u>	<u>\$ 52,326</u>	<u>\$ 6,542</u>

OPHIR HILL FIRE PROTECTION DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2016

NOTE 5: NET POSITION

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

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

Net Position Flow Assumption

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

NOTE 6: FUND BALANCES

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of June 30, 2016, fund balance for governmental funds is made up of the following:

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

OPHIR HILL FIRE PROTECTION DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2016

NOTE 6: FUND BALANCES (CONTINUED)

- **Assigned fund balance** - amounts that are constrained by the District's intent to be used for specific purposes. The intent can be established at either the highest level of decision-making, or by a body or an official designated for that purpose.
- **Unassigned fund balance** - the residual classification for the District's General fund that includes all amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

The fund balances for all governmental funds as of June 30, 2016, were distributed as follows:

	<u>General Fund</u>	<u>Mitigation Fund</u>	<u>Capital Reserve Fund</u>	<u>Total</u>
Restricted for:				
Mitigation	\$ -	\$ 1,821	\$ -	\$ 1,821
Subtotal	<u>-</u>	<u>1,821</u>	<u>-</u>	<u>1,821</u>
Committed for:				
Public protection	<u>-</u>	<u>-</u>	<u>102,683</u>	<u>102,683</u>
Subtotal	<u>-</u>	<u>-</u>	<u>102,683</u>	<u>102,683</u>
Unassigned	<u>670,375</u>	<u>-</u>	<u>-</u>	<u>670,375</u>
Total	<u>\$ 670,375</u>	<u>\$ 1,821</u>	<u>\$ 102,683</u>	<u>\$ 774,879</u>

Fund Balance Flow Assumption

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

Fund Balance Policy

The Board of Directors has adopted a fund balance policy for financial statement reporting. The policy establishes procedures for reporting fund balance classifications and establishes a hierarchy of fund balance expenditures.

OPHIR HILL FIRE PROTECTION DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2016

NOTE 7: PENSION PLANS

A. Plan Description

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

Effective January 1, 2013, the District added retirement tiers for both Miscellaneous and Safety Plans for new employees as required under the Public Employee Pension Reform Act (PEPRA). New employees hired on or after January 1, 2013 will be subject to new, lower pension formulas, caps on pensionable income levels and new definitions of pensionable income. In addition, new employees will be required to contribute half of the total normal cost of the pension benefit unless impaired by an existing Memorandum of Understanding. The cumulative effect of these PEPRA changes will ultimately reduce the District's retirement costs. As of the valuation date there were no Safety PEPRA employees.

Summary of Plans and Eligible Participants

Open for New Enrollment	
Miscellaneous PEPRA	Miscellaneous members hired on or after January 1, 2013
Safety PEPRA	Safety employees hired on or after January 1, 2013
Closed to New Enrollment	
Miscellaneous Plan	Miscellaneous members hired before January 1, 2013
Safety Plan	Safety employees hired before January 1, 2013

Benefits Provided

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

Each Plan's specific provisions and benefits in effect at June 30, 2016, are summarized as follows:

	<u>Benefit Formula</u>	<u>Retirement Age</u>	<u>Monthly Benefits as a % of Eligible Compensation</u>
Miscellaneous Plan	2.0% @ 60	60	2.000%
Safety Plan	2.0% @ 55	55	2.000%
Safety PEPRA Plan	2.7% @ 57	57	2.700%

OPHIR HILL FIRE PROTECTION DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2016

NOTE 7: PENSION PLANS (CONTINUED)

A. Plan Description (Continued)

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for all Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

	<u>Employer Contribution Rates</u>	<u>Employee Contribution Rates</u>	<u>Employer Paid Member Contribution Rates</u>
Miscellaneous Plan	6.709%	7.000%	7.000%
Miscellaneous PEPRA	9.500%	9.500%	0.000%
Safety Plan	11.530%	7.000%	7.000%
Safety PEPRA	9.069%	9.500%	0.000%

For the year ended June 30, 2016, the contributions recognized as part of pension expense for each Plan were as follows:

	<u>Contributions-Employer</u>	<u>Contributions-Employee (Paid by Employer)</u>
Miscellaneous Plan	\$ 3,031	\$ 2,661
Safety Plan	39,250	18,576

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

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2015, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the net pension liability for each Plan as of June 30, 2015 and 2016 was as follows:

	<u>Proportion June 30, 2015</u>	<u>Proportion June 30, 2016</u>	<u>Change - Increase (Decrease)</u>
Miscellaneous Plan	0.00036%	0.00028%	(.00008)%
Safety Plan	0.00229%	0.00164%	(.00065)%

OPHIR HILL FIRE PROTECTION DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2016

NOTE 7: PENSION PLANS (CONTINUED)

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

As of June 30, 2016, the District reported net pension liabilities for its proportionate share of the net pension liability of each Plan as follows:

	<u>Proportionate Share of Net Pension Liability</u>
Miscellaneous Plan	\$ 18,967
Safety Plan	<u>112,257</u>
Total Net Pension Liability	<u><u>\$ 131,224</u></u>

For the year ended June 30, 2016, the District recognized pension expense of (\$46,881). At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 34,049	\$ -
Changes in assumptions	-	(25,045)
Differences between expected and actual experience	-	(4,867)
Differences between projected and actual earnings on pension plan investments	-	(12,683)
Difference between District contributions and proportionate share of contributions	20,828	-
Adjustment due to differences in proportions	<u>-</u>	<u>(12,325)</u>
Total	<u><u>\$ 54,877</u></u>	<u><u>(\$ 54,920)</u></u>

\$34,049 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended June 30</u>		
2017	(\$	14,669)
2018	(14,261)
2019	(11,375)
2020		6,213
Thereafter		<u>-</u>
Total	(\$	<u><u>34,092</u></u>)

OPHIR HILL FIRE PROTECTION DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2016

NOTE 7: PENSION PLANS (CONTINUED)

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

Actuarial Assumptions

The total pension liabilities in the June 30, 2014 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increase	Varies by Entry Age and Service
Mortality	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

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

Change of Assumptions

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

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% 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% is applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at the CalPERS website under the GASB 68 section.

OPHIR HILL FIRE PROTECTION DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2016

NOTE 7: PENSION PLANS (CONTINUED)

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

Discount Rate (Continued)

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

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

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10(a)</u>	<u>Real Return Years 11+(b)</u>
Global Equity	51.0%	5.25%	5.71%
Global Debt Securities	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%</u>		

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

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

OPHIR HILL FIRE PROTECTION DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2016

NOTE 7: PENSION PLANS (CONTINUED)

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

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

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

	1% Decrease <u>6.65%</u>	Discount Rate <u>7.65%</u>	1% Increase <u>8.65%</u>
Miscellaneous Plan	\$ 37,858	\$ 18,967	\$ 3,370
Safety Plan	224,029	112,257	20,605

Pension Plan Fiduciary Net Position

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

NOTE 8: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has joined together with other fire districts in the State to participate in the Fire District's Association of California - Fire Association Self Insurance System. This joint venture is a public entity risk pool which serves as a common risk management and insurance program for workers compensation coverage for 152 member fire districts. The District has also joined together with other fire districts in the State to participate in the Northern California Fire District Association. This joint venture is a public entity risk pool which serves as a common risk management and insurance program for liability and automobile coverage for its member districts.

The District pays an annual premium to both of these joint ventures for its insurance coverage. The agreements with the joint ventures provide that they will be self-sustaining through member premiums and will reinsure through commercial companies for excess coverage.

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

NOTE 9: OTHER INFORMATION

A. Contingent Liabilities

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 appreciable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

OPHIR HILL FIRE PROTECTION DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2016

NOTE 9: OTHER INFORMATION (CONTINUED)

B. Subsequent Events

Management has evaluated events subsequent to June 30, 2016 through May 4, 2017, the date on which the financial statements were available for issuance. Management has determined no subsequent events requiring disclosure have occurred.

Required Supplementary Information
(Unaudited)

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OPHIR HILL FIRE PROTECTION DISTRICT
Required Supplementary Information
District Pension Plans
Schedule of Proportionate Share of the Net Pension Liability
For the Year Ended June 30, 2016
Last 10 Years*

	2015	2016
Miscellaneous Plan		
Proportion of the net pension liability	0.00036%	0.00028%
Proportionate share of the net pension liability	\$ 22,185	\$ 18,967
Covered employee payroll	44,337	44,337
Proportionate share of the net pension liability as a percentage of covered employee payroll	50.04%	42.78%
Plan fiduciary net position as a percentage of the total pension liability	82.94%	86.33%
Safety Plan		
Proportion of the net pension liability	0.00229%	0.00164%
Proportionate share of the net pension liability	\$ 142,505	\$ 112,257
Covered employee payroll	260,467	260,467
Proportionate share of the net pension liability as a percentage of covered employee payroll	54.71%	43.10%
Plan fiduciary net position as a percentage of the total pension liability	81.28%	86.23%

* The District implemented GASB 68 for fiscal year June 30, 2015, therefore only two years are shown.

OPHIR HILL FIRE PROTECTION DISTRICT
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes and assessments	\$ 566,010	\$ 559,302	\$ 588,960	\$ 29,658
Intergovernmental revenue	45,127	537,117	522,423	(14,694)
Use of money	2,000	851	984	133
Miscellaneous revenues	11,000	2,750	17,426	14,676
Total Revenues	624,137	1,100,020	1,129,793	29,773
EXPENDITURES				
Current public protection:				
Salaries and benefits	521,824	842,924	843,337	(413)
Clothing and uniforms	3,800	5,124	30,201	(25,077)
Household	2,000	3,295	3,328	(33)
Communication	13,300	12,800	12,790	10
Insurance	10,298	9,499	9,499	-
Maintenance:				
Equipment	5,300	5,837	5,162	675
Structures and improvements	4,500	1,353	1,353	-
Automobiles	5,850	7,540	7,539	1
Membership	1,356	1,391	1,386	5
Medical supplies	1,600	2,000	2,000	-
Miscellaneous	32	78	3,602	(3,524)
Supplies	3,300	3,861	3,959	(98)
Professional services	17,520	16,010	14,244	1,766
Small tools	2,600	7,158	7,158	-
Training	4,850	9,734	6,134	3,600
Travel	100	-	-	-
Fuel	11,500	9,843	9,843	-
Utilities	5,800	8,315	8,315	-
Contingency	8,607	-	-	-
Capital outlay	-	31,380	35,504	(4,124)
Total Expenditures	624,137	978,142	1,005,354	(27,212)
Net Change in Fund Balance	-	121,878	124,439	2,561
Fund Balances - Beginning	545,936	545,936	545,936	-
Fund Balances - Ending	\$ 545,936	\$ 667,814	\$ 670,375	\$ 2,561

OPHIR HILL FIRE PROTECTION DISTRICT
Required Supplementary Information
Budgetary Comparison Schedule
Mitigation-Major Special Revenue Fund
For the Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Use of money	\$ 40	\$ 40	\$ 7	\$ (33)
Mitigation fees	10,000	10,000	1,814	(8,186)
Total Revenues	<u>10,040</u>	<u>10,040</u>	<u>1,821</u>	<u>(8,219)</u>
EXPENDITURES				
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	10,040	10,040	1,821	(8,219)
Fund Balances - Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 10,040</u>	<u>\$ 10,040</u>	<u>\$ 1,821</u>	<u>\$ (8,219)</u>

OPHIR HILL FIRE PROTECTION DISTRICT
Required Supplementary Information
Notes to Budgetary Comparison Schedules
For the Year Ended June 30, 2016

NOTE 1: BUDGETARY BASIS OF ACCOUNTING

Formal budgetary integration is employed as a management control device during the year. The District presents a comparison of annual budgets to actual results for all governmental funds except for capital projects funds. The amounts reported on the budgetary basis are generally on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).

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

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

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

NOTE 2: EXPENDITURES IN EXCESS OF APPROPRIATIONS

For the fiscal year ended June 30, 2016, the District incurred expenditures in excess of appropriations primarily because of debt principal and interest and capital outlay expenditures as follows:

	<u>Appropriations</u>	<u>Expenses</u>	Excess of Expenditures Over <u>Appropriations</u>
General Fund	\$ 978,142	\$ 1,005,354	\$ 27,212

OTHER REPORT AND SCHEDULES

- **Other Report**
- **Schedule of Findings and Recommendations**
- **Management's Corrective Action Plan**

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

To the Board of Directors
Ophir Hill Fire Protection District
Cedar Ridge, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of the Ophir Hill Fire Protection District, 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 May 4, 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 our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Recommendations that we consider to be significant deficiencies. (2016-001)

To the Board of Directors
Ophir Hill Fire Protection District
Cedar Ridge, California

Compliance and Other Matters

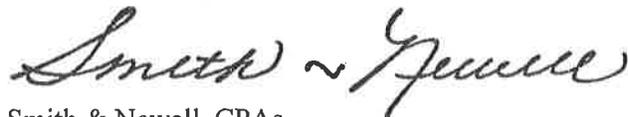
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

Authority's Response to Findings

The District's responses to the findings identified in our audit are described in the accompanying Management's Corrective Action Plan. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Smith & Newell, CPAs
Yuba City, California
May 4, 2017

OPHIR HILL FIRE PROTECTION DISTRICT
Schedule of Findings and Recommendations
For the Year Ended June 30, 2016

2016-001 Budget (Significant Deficiency)

Condition

For the year ended June 30, 2016, we noted that the District incurred expenditures in excess of appropriations of \$27,212 in the General fund.

Cause

The District did not amend the budget to account for changes in estimates of expenditures during the fiscal year.

Criteria

California Government Code requires that appropriate operating budgets be adopted and amended as needed and that expenditures not exceed the approved budget.

Effect of Condition

Expenditures exceed appropriations by \$27,212.

Recommendation

We recommend that the District control and monitor expenditures so that they do not exceed the approved budget. If budget revisions are required, we recommend that the District take appropriate action to amend the budget.

OPHIR HILL FIRE PROTECTION DISTRICT
Management's Corrective Action Plan
For the Year Ended June 30, 2016

Finding 2016-001 Budget (Significant Deficiency)

We recommend that the District control and monitor expenditures so that they do not exceed the approved budget. If budget revisions are required, we recommend that the District take appropriate action to amend the budget.

Responsible Individual: Robb Rothenberger, Fire Chief

Corrective Action Plan: The District will make all necessary year end journal entries prior to amending the final budget.

Anticipated Completion Date: June 30, 2017