

**PLACER HILLS
FIRE PROTECTION DISTRICT**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
for the year ended June 30, 2018**

ROBERT W. JOHNSON
Certified Public Accountant

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Placer Hills Fire Protection District
Meadow Vista, California

Report on the Financial Statements

We have audited the accompanying financial statements of Placer Hills Fire Protection District, as of and for the year ended June 30, 2018, as listed in the table of contents, and the related notes to the financial statements.

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 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 and the State Controller's Minimum Audit Requirements for California Special Districts. 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Placer Hills Fire Protection District as of June 30, 2018, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America, as well as the accounting systems prescribed by the State Controller's Office and State Regulations governing Special Districts.

Other Matters

Required Supplementary Information

The Management's Discussion and Analysis is not a required part of the financial statements but is supplemental information required by the Government Auditing Standards Board. Management has elected to omit the Management's Discussion and Analysis.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

The information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Robert W. Johnson, An Accountancy Corporation

Citrus Heights, California
October 26, 2018

PLACER HILLS FIRE PROTECTION DISTRICT
STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET
June 30, 2018

ASSETS AND DEFERRED OUTFLOWS	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Cash in bank (Note 3)	\$ 43,436	\$ -	\$ 43,436
Cash in County (Note 3)	1,338,686	-	1,338,686
Accounts receivable	-	-	-
Capital assets (Note 4)	-	3,152,325	3,152,325
Less, accumulated depreciation	-	(1,740,883)	(1,740,883)
Deferred outflows (Note 6)	<u>-</u>	<u>366,043</u>	<u>366,043</u>
Total assets and deferred outflows	<u>\$1,382,122</u>	<u>\$ 1,777,485</u>	<u>\$ 3,159,607</u>
 LIABILITIES AND DEFERRED INFLOWS			
Accounts payable	\$ 10,159	\$ -	\$ 10,159
Accrued vacation	47,262	-	47,262
Long-term debt (Note 5)	-	196,461	196,461
Long-term liabilities:			
Net pension liability (Note 6)	-	821,271	821,271
Deferred inflows (Note 6)	<u>-</u>	<u>10,043</u>	<u>10,043</u>
Total liabilities and deferred inflows	<u>57,421</u>	<u>1,027,775</u>	<u>1,085,196</u>
 FUND BALANCES/NET POSITION			
Fund balances (Note 8):			
Restricted	244,201	(244,201)	-
Committed	363,155	(363,155)	-
Unassigned	<u>717,345</u>	<u>(717,345)</u>	<u>-</u>
Total fund balances	<u>1,324,701</u>	<u>(1,324,701)</u>	<u>-</u>
Total liabilities, deferred inflows and fund balances	<u>\$1,382,122</u>		
Net position (Note 8):			
Net investment in capital assets		1,214,981	1,214,981
Restricted		244,201	244,201
Unrestricted		<u>615,229</u>	<u>615,229</u>
Total net position		<u>\$ 2,074,411</u>	<u>\$ 2,074,411</u>

See notes to financial statements

PLACER HILLS FIRE PROTECTION DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
for the year ended June 30, 2018

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Program expenditures/expenses:			
Public protection	\$1,835,375	\$ 38,921	\$1,874,296
Support services	71,377	-	71,377
Capital outlay	166,349	(166,349)	-
Debt service:			
- Principal	62,837	(62,837)	-
- Interest	5,393	-	5,393
Depreciation	<u>-</u>	<u>133,008</u>	<u>133,008</u>
Total program expenditures/expenses	<u>2,141,331</u>	<u>(57,257)</u>	<u>2,084,074</u>
Program revenues:			
Charges for services-strike teams	<u>195,161</u>	<u>-</u>	<u>195,161</u>
Total program revenues	<u>195,161</u>	<u>-</u>	<u>195,161</u>
General revenues:			
General tax revenue	1,141,893	-	1,141,893
Fire facility fees	73,021	-	73,021
Interest income	11,041	-	11,041
Benefit assessment	567,848	-	567,848
Winchester development fees	28,767	-	28,767
Grants	54,641	-	54,641
Donations	679	-	679
Services agreement	151,394	-	151,394
Proceeds from capital lease	-	-	-
Other	<u>12,351</u>	<u>-</u>	<u>12,351</u>
Total general revenues	<u>2,041,635</u>	<u>-</u>	<u>2,041,635</u>
Excess of revenues (expenditures)/ change in net position	95,465	57,257	152,722
Beginning fund balances/ net position	<u>1,229,236</u>	<u>692,453</u>	<u>1,921,689</u>
Ending fund balances/net position	<u>\$1,324,701</u>	<u>\$ 749,710</u>	<u>\$2,074,411</u>

See notes to financial statements

PLACER HILLS FIRE PROTECTION DISTRICT
STATEMENT OF REVENUE AND EXPENDITURES
COMPARED TO BUDGET
for the year ended June 30, 2018

	<u>Budget</u>	<u>Actual</u>	Favorable/ (Unfavorable) <u>Variance</u>
Revenues:			
General tax revenue	\$1,118,950	\$1,141,893	\$ 22,943
Interest income	6,500	11,041	4,541
Benefit assessment	567,000	567,848	848
Other services – strike teams	100,000	195,161	95,161
Fire facility fees	30,000	73,021	43,021
Winchester development fees	48,000	28,767	(19,233)
Grants/Donations	49,920	55,320	5,400
Other	<u>155,000</u>	<u>163,745</u>	<u>8,745</u>
 Total revenues	 <u>2,075,370</u>	 <u>2,236,796</u>	 <u>161,426</u>
Expenditures:			
Salaries	1,209,000	1,146,895	62,105
Benefits	373,600	350,140	23,460
Debt service - principal	-	62,837	(62,837)
- interest	-	5,393	(5,393)
Equipment and bldg.	345,000	166,349	178,651
Services and supplies	<u>471,005</u>	<u>409,717</u>	<u>61,288</u>
 Total expenditures	 <u>2,398,605</u>	 <u>2,141,331</u>	 <u>257,274</u>
 Excess of revenues/ (expenditures)	 <u>\$ (323,235)</u>	 <u>\$ 95,465</u>	 <u>\$ 418,700</u>

See notes to financial statements

PLACER HILLS FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS

1. Organization:

In 1949 members of the Meadow Vista community came together through the local Grange to create the Meadow Vista Fire District. In 1988 the Placer Hills Fire Protection District (the "District") was formed when organized fire companies serving Applegate and Weimar joined together with the Meadow Vista Fire District through annexations. The Insurance Service Office rating for the District is 4 for all properties served with fire hydrants and 4Y for any rural areas.

Service Area

The 34 square mile District serves the communities of Applegate, Meadow Vista and Weimar, with a population of approximately 12,500 people and approximately 4,000 single family residences. This mostly rural district is dissected by a major East/West Interstate Highway and Railway. The District answers over 1,000 fire, medical, and public assistance calls each year.

District Resources

The District responds with 2 Engine companies from 2 Fire Stations located throughout the communities served. Station 84 in "the Village" of Meadow Vista is staffed 24/7 and houses 1 Engine, and 1 Wildland Interface Unit. Station 85 in Applegate is used by the District's mechanic for repairs and maintenance. Station 86 in the Weimar area is also staffed 24/7 and houses 1 Engine, 1 Wildland Interface Unit, 1 Air Unit and 1 Water Tender. The District's Engines are staffed with paramedics who provide an above average level of Fire and Life safety services to the community.

The District's 5 member Board of Directors sets policy for 14 full-time employees, 5 part-time employees and 5 Volunteer Fire/Medical personnel. The full-time employees oversee the various functional responsibilities of the District. All District personnel are highly trained and respond as a part of a team dedicated to providing the highest quality emergency services possible.

The District is proud of the support it receives from the community in seeking to improve service levels. A major achievement has been the addition of Advanced Life Support services provided by the District's paramedic, which greatly increases the survival rate for the seriously sick and injured. Also, the District manages to staff 2 stations at either end of the District with an engine company 24 hours/day, 7 days a week. This provides for a timely response to all emergencies. A full array of year-round Fire Prevention, Education and Community services are offered by the District, its personnel, the Firefighter's Association and the Placer Hills Fire Auxiliary.

PLACER HILLS FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Policies:

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing GAAP for state and local government organizations. The District's significant accounting policies are described below.

Measurement Focus and Basis of Accounting

The District reports a *General Fund* that is used to account for all financial resources except those required or designated by the Board of Directors to be accounted for in another fund.

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 flow takes place. Non-exchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements and donations. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

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. The District considers revenues to be available if they are collectible in the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues that are accrued include property taxes, interest income, and charges for current services. Revenues that are not accrued include permits and fines, forfeitures, and penalties, if applicable. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due. General capital assets are reported as expenditures in governmental funds. Proceeds of general long-term and capital assets are reported as other financing sources.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

PLACER HILLS FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

2. Summary of Accounting Policies (continued):

Net Position

Net position is classified in the following categories:

Net Investment in capital assets – groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce this category.

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

Unrestricted – represents the net position of the District, which are not restricted or invested in capital assets net of related debt.

Fund Balance

Fund balance is classified in the following categories:

Restricted – includes fund balance amounts that are subject to externally enforceable legal restrictions or constrained for a specific purpose by external parties, constitutional provisions or enabling legislation.

Committed – includes fund balance amount that can only be used for specific purposes pursuant to constraints imposed by the formal actions of the District's Board of Directors.

Unassigned – includes fund balance which has not been classified within the above mentioned categories.

Capital Assets

Capital assets are recorded at historical cost if purchased or constructed. Amortization of assets acquired under capital lease is included in depreciation. Structures and equipment are depreciated using the straight-line method over their estimated useful lives.

PLACER HILLS FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

2. Summary of Accounting Policies (continued):

Compensated Absences

Vested or accumulated vacation that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability.

Cash Invested

The District maintains cash balances with the Treasurer of Placer County in an interest-bearing pooled investment account.

Property Taxes

The District receives property taxes from Placer County. Property taxes receivable are recorded in the fiscal year for which the tax is levied based on the assessed value as of September 1 of the preceding fiscal year. They become a lien on the first day of the year they are levied. Secured property tax is levied on September 1 and due in two installments, on November 1 and March 1. They become delinquent on December 10 and April 10, respectively. Unsecured property taxes are due on July 1, and become delinquent on August 31. The District elected to receive the property taxes from the County under the Teeter Bill Program. Under this Program, the District receives 100% of the levied property taxes in periodic payments, with the County assuming responsibility for delinquencies.

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.

PLACER HILLS FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

2. Summary of Accounting Policies (continued):

Deferred Outflows of Resources

A deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until that future time.

Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

Use of 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 amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

PLACER HILLS FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

3. Cash and Investments:

The District maintains certain portions of its funds with Placer County. The County is authorized to deposit cash and invest excess funds by the California Government code Section 53648 et. seq. The funds maintained by the County are either secured by federal depository insurance or are collateralized.

The entire bank balance was covered by Federal depository insurance.

At the year-end the carrying amount of the District's deposits was \$43,436 and the bank balance was \$62,673.

		Balance June 30, <u>2018</u>
Checking (general fund)	\$	43,436
Cash with County:		
General fund (Future Occurrences)	\$	731,329
Winchester Development		216,878
Benefit Assessment		50,469
Fire Facility Fees		27,323
Fixed Asset Acquisition		190,359
Contingency		20,800
Future equipment purchases		<u>101,528</u>
		<u>1,338,686</u>
		<u>\$1,382,122</u>

PLACER HILLS FIRE PROTECTION DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued

4. Capital Assets:

Changes in capital assets for the year ended June 30, 2018 are as follows:

	<u>Balance, beginning of year</u>	<u>Additions</u>	<u>Disposals/ transfers</u>	<u>Balance, end of year</u>
Land	\$ 27,000	\$ -	\$ -	\$ 27,000
Structures and Improvements	530,294	-	-	530,294
Equipment – other	360,166	55,419	-	415,585
Equipment – vehicles	<u>2,068,516</u>	<u>110,930</u>	<u>-</u>	<u>2,179,446</u>
	<u>\$2,985,976</u>	<u>\$ 166,349</u>	<u>\$ -</u>	<u>\$3,152,325</u>

PLACER HILLS FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

5. Long-term Debt:

Long-term debt activities for the year ended June 30, 2018 consist of:

	<u>Balance</u> <u>6/30/2017</u>	<u>Financing</u>	<u>Payments</u>	<u>Balance</u> <u>6/30/2018</u>	<u>Current</u> <u>Portion</u>
US Bancorp	\$ <u>259,298</u>	\$ <u>-</u>	\$ <u>62,837</u>	\$ <u>196,461</u>	\$ <u>64,144</u>

In May 2016 the District purchased a 2015 HME Type III fire engine. The five year purchase agreement requires an annual payment of \$68,230 including an interest rate of 2.99% through July 1, 2020.

The future annual maturities of all long-term borrowings as of June 30, 2018 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 64,144	\$ 4,086	\$ 68,230
2020	65,478	2,752	68,230
2021	<u>66,839</u>	<u>1,391</u>	<u>68,230</u>
	\$ <u>196,461</u>	\$ <u>8,229</u>	\$ <u>204,690</u>

PLACER HILLS FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

6. Defined Benefit Retirement Plan:

Plan Description

The District contributes to the California Public Employees Retirement System (CalPERS), a cost sharing multiple-employer defined benefit pension plan. The District participates in a safety-fire 2% at 55 pool and a miscellaneous 2% at 55 risk pool. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public employers within the State of California. CalPERS require agencies with less than 100 active members in the plan to participate in the risk pool. Full-time fire fighters and the District Secretary are eligible to participate in the System. A menu of benefits provision as well as other requirements is established by State Statutes within the Public Employees Retirement Law. The plan selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through District resolution. 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, California, 95814.

Funding Policy

The Plans' provisions and benefits in effect at June 30, 2018, are summarized as follows:

	<u>Misc. - Classic</u>	<u>Safety - Classic</u>	<u>Misc. - PEPR</u>	<u>Safety - PEPR</u>
Benefit formula	2% @ 55	2% @ 55	2% @ 62	2% @ 57
Benefit vesting schedule	5 years	5 years	5 years	5 years
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	55	55	62	57
Required employee contribution rates	7%	7%	6.25%	9.5%
Required employer contribution rates	8.377%	12.055%	6.25%	9.418%

PLACER HILLS FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

6. Defined Benefit Retirement Plan, 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.

For the year ended June 30, 2018, the contributions recognized as part of pension expense were as follows:

	<u>Safety & Miscellaneous</u>
Contributions – employer	\$ 84,571
Contributions – employee	\$ 67,208

PLACER HILLS FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

6. Defined Benefit Retirement Plan, continued:

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

As of June 30, 2018, the District reported net pension liability as follows:

Net pension liability	\$ <u>821,271</u>
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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, 2017, 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, 2016 rolled forward to June 30, 2017 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 the Plan as of June 30, 2017 was as follows:

	<u>Miscellaneous Plan</u>
Proportion – June 30, 2016	0.00263144%
Proportion – June 30, 2017	<u>0.0027300%</u>
	<u>-0.00009856%</u>
	<u>Safety Plan</u>
Proportion – June 30, 2016	0.0122966%
Proportion – June 30, 2017	<u>0.0119436%</u>
	<u>0.000353%</u>

PLACER HILLS FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

6. Defined Benefit Retirement Plan, continued:

At June 30, 2018, 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>
Adjustment due to differences in proportions	\$ 109,442	\$ -
Net differences between projected and actual earnings on pension plan investment	32,108	-
Changes in assumptions	135,340	-
Differences between expected and actual experiences	4,582	-
Difference between employer contributions and proportionate share of employer contributions	-	10,043
Pension contributions subsequent to measurement date	<u>84,571</u>	<u>-</u>
	<u>\$ 366,043</u>	<u>\$ 10,043</u>

\$84,571 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, 2019. 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>	
2019	\$ 73,655
2020	127,963
2021	88,634
2022	(18,823)
Thereafter	-

PLACER HILLS FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

6. Defined Benefit Retirement Plan, continued:

Actuarial Assumptions – The total pension liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

	<u>Safety & Miscellaneous</u>
Valuation date	June 30, 2016
Measurement date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount rate	7.15%
Inflation	2.75%
Payroll Growth	3.0%
Projected Salary Increase	3.3%-14.2%
Investment Rate of Return	7.15%

Discount Rate – The discount rate used to measure the total pension liability was 7.15% 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 7.15 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 will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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.

PLACER HILLS FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

6. Defined Benefit Retirement Plan, continued:

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

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

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

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

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

PLACER HILLS FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

6. Defined Benefit Retirement Plan, 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, calculated using the discount rate for each Plan, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>Safety & Miscellaneous</u>
1% Decrease Net Pension Liability	6.15% \$1,234,765
Current Discount Rate Net Pension Liability	7.15% \$ 821,271
1% Increase Net Pension Liability	8.15% \$ 482,611

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

7. Risk of Loss:

Placer Hills Fire Protection District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; and injuries to employees. During the 2018 fiscal year, the District purchased certain commercial insurance coverages to provide for these risks.

PLACER HILLS FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

8. Equity:

General fund:

Total fund balances consist of:

Restricted for:

Winchester development	\$ 216,878	
Fire facility fees	<u>27,323</u>	
		\$ 244,201

Committed for:

Benefit assessment	50,469	
Fixed assets acquisitions	190,358	
Contingencies	20,800	
Future equip. purchases	<u>101,528</u>	
		363,155

Unassigned:

<u>717,345</u>
<u>\$1,324,701</u>

Statement of net position:

Total net position consist of:

Net investment in capital assets \$1,214,981

Restricted:

Winchester development	\$ 216,878	
Fire facility fees	<u>27,323</u>	
		244,201

Unrestricted:

Board designated:

Benefit assessment	50,469
Fixed assets acquisition	190,358
Contingencies	20,800
Future equipment purchases	<u>101,528</u>
	363,155

Undesignated:	<u>252,074</u>	<u>615,229</u>
		<u>\$2,074,411</u>

PLACER HILLS FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

9. Subsequent Events:

Management has evaluated subsequent events through October 26, 2018, the date these June 30, 2018 financial statements were available to be issued.

10. Administrative Services Agreements:

In July 2014, Placer Hills Fire Protection District entered into contract for administrative services with Foresthill Fire Protection District. Under the agreement, the Placer Hills Fire Protection District provides the services of a fire chief to Foresthill Fire Protection District. Foresthill Fire Protection District continues to employ its own firefighter staff and district secretary, and maintain all monies, funding and finances independently from Placer Hills Fire Protection District.

In October 2014, Placer Hills Fire Protection District entered into contract for administrative services with Newcastle Fire Protection District. Placer Hills provides services of a fire chief and administrative services. Newcastle Fire Protection District continues to employ its own firefighter staff, and maintains all monies, funding and finances independently from Placer Hills Fire Protection District.

SUPPLEMENTAL DATA

PLACER HILLS FIRE PROTECTION DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET
 PENSION LIABILITY

As of June 30, 2018

Last 10 years (1)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability	0.0082812%	0.00841%	0.0126%	0.00989%
Proportionate share of the net pension liability	\$ 821,271	\$ 728,281	\$ 581,491	\$ 686,009
Covered – employee payroll	\$ 753,638	\$ 682,007	\$ 682,007	\$ 682,007
Proportionate Share of the net pension liability as percentage of covered-employee payroll	108.974%	106.785%	99.225%	106.32%
Plan fiduciary net position as a percentage of the total pension liability	76.31%	75.71%	79.59%	76.83%

Changes in assumptions: None

(1) Fiscal year 2015 was the 1st year of implementation, therefore only four years are shown.

PLACER HILLS FIRE PROTECTION DISTRICT
SCHEDULE OF CONTRIBUTIONS FOR PENSIONS

As of June 30, 2018

Last 10 years (1)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ 84,571	\$146,396	\$ 141,186	\$ 98,020
Contributions in relation to the actuarially determined contributions	<u>84,571</u>	<u>146,396</u>	<u>(173,452)</u>	<u>98,020</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>(32,266)</u>	\$ <u>-</u>
Covered – employee payroll	\$753,638	\$761,375	\$ 682,007	\$682,007
Contributions as a percentage of covered employee payroll	11.22%	19.23%	25.43%	14.45%
Notes to Schedule:				
Valuation date:	6/30/17	6/30/16	6/30/15	6/30/14

Methods and assumptions used to determine contribution rates:

Amortization method	Entry Age Normal Cost Method
Remaining amortization period	15 years
Asset valuation method	Market Value
Inflation	2.75%
Salary increases	Varies by Entry Age and Service
Discount rate	7.15% Net of Pension Plan Investment and Admin. Expenses

(1) Fiscal year 2015 was the 1st year of implementation, therefore only four years are shown.

PLACER HILLS FIRE PROTECTION DISTRICT
PRINCIPAL OFFICIALS

Board of Directors:

Peter Hills	President
Alex Harvey	Vice-President
Mark Wright	Secretary
Fred Lofrano	
Russel McCray	

Operations:

Kirk Kushen	Fire Chief
Gillian Lofrano	District Manager

PLACER HILLS FIRE PROTECTION DISTRICT
 OPERATIONAL ANALYSIS
 Year Ended June 30, 2018

	<u>Winchester</u> <u>Fund</u>	<u>Mitigation</u> <u>Fund</u>	<u>Benefit</u> <u>Assessment</u>	<u>General</u> <u>Fund</u>	<u>Total</u>
Revenues:					
Development fees	\$ -	\$ 73,021	\$ -	\$ -	\$ 73,021
Benefit assessment	-	-	396,349	171,499	567,848
Tax revenue	-	-	-	1,141,893	1,141,893
Interest income	-	-	-	11,041	11,041
Winchester development fees	28,767	-	-	-	28,767
Strike teams	-	-	-	195,161	195,161
Grants/donations	-	-	-	55,320	55,320
Other	-	-	-	163,745	163,745
	<u>-</u>	<u>-</u>	<u>-</u>	<u>163,745</u>	<u>163,745</u>
 Total revenues	 <u>28,767</u>	 <u>73,021</u>	 <u>396,349</u>	 <u>1,738,659</u>	 <u>2,236,796</u>
Expenditures:					
Principal and interest	-	68,230	-	-	68,230
Salaries	-	-	293,221	853,674	1,146,895
Benefits	-	-	105,146	244,994	350,140
Equipment & bldg.	-	110,930	-	55,419	166,349
Services and supplies	-	2,302	8,244	399,171	409,717
	<u>-</u>	<u>2,302</u>	<u>8,244</u>	<u>399,171</u>	<u>409,717</u>
 Total expenditures	 <u>-</u>	 <u>181,462</u>	 <u>406,611</u>	 <u>1,553,258</u>	 <u>2,141,331</u>
 Excess of revenues/ (expenditures)	 <u>\$ 28,767</u>	 <u>\$(108,441)</u>	 <u>\$(10,262)</u>	 <u>\$ 185,401</u>	 <u>\$ 95,465</u>

PLACER HILLS FIRE PROTECTION DISTRICT
STATEMENT OF CASH FLOWS
for the year ending June 30, 2018

Cash flows from operating activities:

Change in net position (net income)		\$ 152,722
Adjustments to reconcile change in net position to net cash provided by operating activities		
Depreciation	\$ 133,008	
(Increase) decrease in:		
Accounts receivable	-	
Deferred outflows	5,865	
(Decrease) increase in:		
Accounts payable and accrued liabilities	(17,442)	
Net pension liability	92,990	
Deferred inflows	<u>(59,934)</u>	
		<u>154,487</u>
Net cash provided by operating activities		307,209
Cash flows from investing activities:		
Purchase of equipment		(166,349)
Cash flows from financing activities		
Principal payment of long-term debt		<u>(62,837)</u>
Net increase in cash		78,023
Cash at beginning of year		<u>1,304,099</u>
Cash at end of year		<u><u>\$1,382,122</u></u>

**PLACER HILLS
FIRE PROTECTION DISTRICT**

**REPORT ON ACCOUNTING CONTROLS
AND PROCEDURES**

for the year ended June 30, 2018

ROBERT W. JOHNSON
Certified Public Accountant



Robert W. Johnson
an accountancy corporation

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www.bob-johnson-cpa.com

October 26, 2018

To the Board of Directors
Placer Hills Fire Protection District
Meadow Vista, California

We have audited the financial statements of Placer Hills Fire Protection District as of and for the year ended June 30, 2018. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the State Controller's Minimum Audit Requirements for California Special Districts.

In planning and performing our audit of the financial statements of Placer Hills Fire Protection District as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered Placer Hills Fire Protection District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures but not for the purpose of expressing our opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District'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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and was not 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. However, we have enclosed other recommendations for your consideration.

This communication is intended solely for the information and use of management and Board of Directors and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Robert W. Johnson, An Accountancy Corporation

Robert W. Johnson, An Accountancy Corporation

1. Comparison of Operating Results:

	June 30		Favorable (Unfavorable) Variance
	<u>2017</u>	<u>2018</u>	
Revenues	\$2,146,661	\$2,236,796	\$ 90,135
Expenses	<u>1,832,479</u>	<u>2,084,074</u>	(251,595)
Net income (loss)	<u>\$ 314,182</u>	<u>\$ 152,722</u>	\$(161,460)
Cash	<u>\$1,304,099</u>	<u>\$1,382,122</u>	<u>\$ 78,023</u>

Observations:

- \$90,000 more revenue than prior year; somewhat more grant and services agreement income
- 14% increase in expenses in current year
- positive increase in cash of \$78,023

2. Prior Year Recommendations:

A. County Cash:

Recommendation:

We recommended that the District transfer \$34,115 from the Mitigation Fund to the General fund in reimbursement of the 7/1/16 lease payment on the fire engine.

Follow up:

This was done in 2017-18.

B. Debit Cards:

Recommendation:

We recommended that the District discontinue the use of bank debit cards and move to Cal Card or other District credit card. Debit cards carry a higher level of liability than credit card and subject the District to increased risk of misappropriation due to error, theft or fraud.

Follow up:

The District continues the use of debit cards and has increased the number of cards from two authorized users to four.

3. Other Post-Employment Benefits (OPEB):

Observation:

OPEB are benefits that an employee will receive at the start of retirement. Local governments may offer such benefits, such as payment of health care premiums, to retiring workers. There seemed to be some uncertainty as to whether District will pay such a benefit for future retirees. No policy was located that offered OPEB.

Recommendation:

If no OPEB benefits are provided to retiring workers, consider stating that certain employee benefits e.g. payment of healthcare premiums, end at date of retirement in personnel policies.