



Robert W. Johnson
an accountancy corporation

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September 28, 2015

To the Board of Directors
Fallen Leaf Lake Community Services District
Fallen Leaf Lake, California

We have audited the financial statements of Fallen Leaf Lake Community Services District as of and for the year ended June 30, 2015. 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 Fallen Leaf Lake Community Services District as of and for the year ended June 30, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered Fallen Leaf Lake Community Services 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 Total District Operating Results:

	June 30		Favorable (Unfavorable) Variance
	<u>2014</u>	<u>2015</u>	
Revenues	\$ 550,518	\$ 991,268	\$ 440,750
Expenses	<u>405,540</u>	<u>497,280</u>	(91,740)
Net income (loss)	\$ <u>144,978</u>	\$ <u>493,988</u>	\$ <u>349,010</u>
Cash	\$ <u>720,707</u>	\$ <u>734,397</u>	\$ <u>13,690</u>

Observations:

- 2014-15 was a very successful year in that the District obtained considerable grant income plus County funding in order to finance material equipment additions.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Fallen Leaf Lake Community Services District
Fallen Leaf Lake, California

Report on the Financial Statements

We have audited the accompanying financial statements of the enterprise activities and the governmental activities of Fallen Leaf Lake Community Services District, as of and for the year ended June 30, 2015, 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 respective financial position of the enterprise activities and the governmental activities of Fallen Leaf Lake Community Services District as of June 30, 2015, and the results of its operations, and, where applicable, cash flows thereof 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 financial statements taken as a whole.

Robert W. Johnson, An Accountancy Corporation

Citrus Heights, California
September 28, 2015

<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ -	\$ 734,397
-	-
2,817,961	2,817,961
(985,879)	(985,879)
<u>\$1,832,082</u>	<u>\$2,566,479</u>
\$ -	\$ 6,560
-	35,115
-	10,231
<u>180,450</u>	<u>180,450</u>
<u>180,450</u>	<u>232,356</u>
-	-
-	-
(682,491)	<u>-</u>
(682,491)	<u>-</u>
1,832,082	1,832,082
<u>502,041</u>	<u>502,041</u>
<u>\$2,334,123</u>	<u>\$2,334,123</u>

FALLEN LEAF LAKE COMMUNITY SERVICES DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GENERAL FUND
for the year ended June 30, 2015

	<u>Govenmental Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Program expenditures/expenses:			
District administrative expenses	\$ 63,139	\$ -	\$ 63,139
Capital outlay	-	-	-
Depreciation	<u>-</u>	<u>239</u>	<u>239</u>
Total program expenditures/ expenses	<u>63,139</u>	<u>239</u>	<u>63,378</u>
Program revenues:			
Reimbursements from other activities	<u>64,850</u>	<u>-</u>	<u>64,850</u>
General revenues:			
Interest and other income	<u>1</u>	<u>-</u>	<u>1</u>
Excess (expenditures) over revenues/change in net position	1,712	(239)	1,473
Beginning fund balances/ net position	<u>13,296</u>	<u>360</u>	<u>13,656</u>
Ending fund balances/net position	<u>\$ 15,008</u>	<u>\$ 121</u>	<u>\$ 15,129</u>

See notes to financial statements

FALLEN LEAF LAKE COMMUNITY SERVICES DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
FIRE DEPARTMENT
for the year ended June 30, 2015

	Governmental <u>Fund</u>	<u>Adjustments</u>	Statement <u>of Activities</u>
Program expenditures/expenses:			
Public protection	\$ 305,634	\$ -	\$ 305,634
Capital outlay	738,037	(738,037)	-
Depreciation	-	42,354	42,354
Debt service - principal	<u>8,991</u>	<u>(8,991)</u>	<u>-</u>
Total program expenditures/ expenses	<u>1,052,662</u>	<u>(704,674)</u>	<u>347,988</u>
Program revenues	<u>-</u>	<u>-</u>	<u>-</u>
General revenues:			
Tax revenue	31,315	-	31,315
Direct assessment	191,423	-	191,423
Fundraising events (net)	2,001	-	2,001
Donations	29,665	-	29,665
Interest income	539	-	539
Financing received	189,441	(189,441)	-
Strike teams	58,050	-	58,050
Grant revenue	388,498	-	388,498
County funding - boat	125,000	-	125,000
Sale of equipment	6,200	-	6,200
Other income	<u>4,767</u>	<u>-</u>	<u>4,767</u>
Total general revenues	<u>1,026,899</u>	<u>(189,441)</u>	<u>837,458</u>
Excess (expenditures) revenues/change in net position	(25,763)	515,233	489,470
Beginning fund balances/net position	<u>439,677</u>	<u>352,793</u>	<u>792,470</u>
Ending fund balances/net position	\$ <u>413,914</u>	\$ <u>868,026</u>	\$ <u>1,281,940</u>

See notes to financial statements

FALLEN LEAF LAKE COMMUNITY SERVICES DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
PARKS & RECREATION
for the year ended June 30, 2015

	Governmental <u>Fund</u>	<u>Adjustments</u>	Statement of Activities
Program expenditures/expenses:			
Recreation	\$ 51,681	\$ -	\$ 51,681
Capital outlay	-	-	-
Depreciation	<u>-</u>	<u>34,233</u>	<u>34,233</u>
Total program expenditures/ expenses	<u>51,681</u>	<u>34,233</u>	<u>85,914</u>
Program revenues:			
Concessionaire payments	<u>88,932</u>	<u>-</u>	<u>88,932</u>
General revenues:			
Interest and other income	<u>27</u>	<u>-</u>	<u>27</u>
Excess revenues (expenditures)/change in net position	37,278	(34,233)	3,045
Beginning fund balances/net position	<u>216,291</u>	<u>817,718</u>	<u>1,034,009</u>
Ending fund balances/net position	\$ <u>253,569</u>	\$ <u>783,485</u>	\$ <u>1,037,054</u>

See notes to financial statements

FALLEN LEAF LAKE COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES AND EXPENDITURES
GENERAL FUND
BUDGET AND ACTUAL
for the year ended June 30, 2015

	<u>Budget</u>	<u>Actual</u>	Favorable/ (Unfavorable) <u>Variance</u>
Revenues:			
Interest income	\$ -	\$ 1	\$ 1
Reimbursement - Parks	42,350	42,350	-
Reimbursement - Fire Dept.	22,500	22,500	-
Other	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>64,850</u>	<u>64,851</u>	<u>1</u>
Expenditures:			
Contingency fund	-	-	-
Personnel	37,100	35,784	1,316
Insurance	-	-	-
Memberships	1,000	1,062	(62)
Website	1,000	1,296	(296)
Equipment purchases	-	-	-
Postage	550	777	(227)
Printing	200	79	121
Audit	3,800	3,800	-
Legal	3,500	3,148	352
Bookkeeping	6,000	6,300	(300)
Secretarial	5,400	7,602	(2,202)
Office supplies	1,100	1,323	(223)
Telephone	1,100	1,203	(103)
Miscellaneous	500	35	465
Meetings and legal notices	700	147	553
Internet	600	-	600
LAFCO support	300	296	4
Election	<u>2,000</u>	<u>287</u>	<u>1,713</u>
Total expenditures	<u>64,850</u>	<u>63,139</u>	<u>1,711</u>
Excess of revenues (expenditures)	<u>\$ -</u>	<u>\$ 1,712</u>	<u>\$ 1,712</u>

See notes to financial statements

FALLEN LEAF LAKE COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES AND EXPENDITURES
FIRE DEPARTMENT
BUDGET AND ACTUAL
for the year ended June 30, 2015

	<u>Budget</u>	<u>Actual</u>	Favorable (Unfavorable) <u>Variance</u>
Revenues:			
Tax revenue	\$ 29,750	\$ 31,315	\$ 1,565
Direct assessment	193,900	191,423	(2,477)
County funding – boat	-	125,000	125,000
Strike teams	-	58,050	58,050
Fundraising events (net)	3,500	2,001	(1,499)
Donations	-	29,665	29,665
Interest income	400	539	139
Grant revenue	9,000	388,498	379,498
Financing received	-	189,441	189,441
Sale of equipment	-	6,200	6,200
Other	<u>-</u>	<u>4,767</u>	<u>4,767</u>
Total revenues	<u>236,550</u>	<u>1,026,899</u>	<u>790,349</u>
Expenditures:			
Administrative	22,500	22,588	(88)
Maintenance/supplies	7,250	22,451	(15,201)
Equipment purchases	4,000	738,037	(734,037)
Facilities	7,950	15,251	(7,301)
Office	5,400	5,780	(380)
Personnel	155,200	168,352	(13,152)
Training	11,700	13,339	(1,639)
Contingency fund	-	14,402	(14,402)
Apparatus	18,550	23,599	(5,049)
Automatic aid	4,000	4,000	-
Strike team	<u>-</u>	<u>24,863</u>	<u>(24,863)</u>
Total expenditures	<u>236,550</u>	<u>1,052,662</u>	<u>(816,112)</u>
Excess of revenues (expenditures)	<u>\$ -</u>	<u>\$ (25,763)</u>	<u>\$ (25,763)</u>

See notes to financial statements

FALLEN LEAF LAKE COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES AND EXPENDITURES
PARKS & RECREATION
BUDGET AND ACTUAL
for the year ended June 30, 2015

	<u>Budget</u>	<u>Actual</u>	Favorable (Unfavorable) <u>Variance</u>
Revenues:			
Concessionaire payments	\$ 88,000	\$ 88,932	\$ 932
Interest income	25	27	2
Donations	300	-	(300)
Miscellaneous revenue	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>88,325</u>	<u>88,959</u>	<u>634</u>
Expenditures:			
Marina	7,500	3,298	4,202
Equipment purchases	-	-	-
Community building	2,150	1,182	968
Administrative	42,350	42,350	-
Insurance	12,700	9,339	3,361
Miscellaneous	500	101	399
Maintenance & repair	9,110	-	9,110
Utilities, net	990	(4,589)	5,579
Contingency	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>75,300</u>	<u>51,681</u>	<u>23,619</u>
Excess of revenues (expenditures)	<u>\$ 13,025</u>	<u>\$ 37,278</u>	<u>\$ 24,253</u>

See notes to financial statements

FALLEN LEAF LAKE COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS

1. Organization:

Fallen Leaf Lake Community Services District (the "District") was formed on February 24, 1983 to provide various services to the residents of the Fallen Leaf Lake area. In 1983 the voters authorized the District to provide fire protection service to the community. In 1987, the voters authorized the District to assume the additional responsibility of parks and recreation at the south end of the Lake.

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.

FALLEN LEAF LAKE COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Policies (continued):

Measurement Focus and Basis of Accounting, continued

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.

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.

Budgets

In accordance with the provisions of Sections 13901 through 13906 of the California Health & Safety Code and other statutory provisions, commonly known as the Budget Act, the District prepares and legally adopts a final balanced budget for each fiscal year.

Cash

The District maintains cash balances with the Treasurer of El Dorado County in an interest-bearing pooled investment account. Cash in bank accounts is covered by Federal depository insurance.

Property Taxes

The District receives property taxes from El Dorado County. Property taxes become a lien on the first day of the year they are levied. Secured property tax is levied on July 1 and due in two installments, on November 1 and February 1. They become delinquent on December 10 and April 10, respectively. Unsecured property taxes are levied 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.

FALLEN LEAF LAKE COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Policies (continued):

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 expenditures during the reporting period. Actual results may differ from those estimates.

3. Cash and Investments:

At year-end the carrying amount of the District's deposits was \$734,397 and the bank balance was \$744,959.

	<u>General Fund</u>	<u>Fire Department</u>	<u>Parks & Recreation</u>
Checking:			
Unrestricted	\$ 15,008	\$ 59,703	\$ 99,589
Restricted			
FD reserve	-	204,343	-
Old store operations	-	-	3,480
P & R reserve	-	-	150,501
Commercial lease	-	-	35,114
Slip deposit	-	-	10,231
El Dorado County			
Unrestricted	-	156,428	-
	<u>\$ 15,008</u>	<u>\$ 420,474</u>	<u>\$ 298,915</u>

FALLEN LEAF LAKE COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

4. Capital Assets:

Changes in capital assets for the year ended June 30, 2015 are as follows:

	<u>Balance, 6-30-14</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance, 6-30-15</u>
Buildings and impt's	\$1,630,173	\$ -	\$ -	\$1,630,173
Equipment	<u>487,052</u>	<u>738,037</u>	<u>37,301</u>	<u>1,187,788</u>
	<u>\$2,117,225</u>	<u>\$ 738,037</u>	<u>\$ 37,301</u>	<u>\$2,817,961</u>

5. Long-term Debt:

Long-term debt activities for the year ended June 30, 2015 consist of:

	<u>Balance 6/30/2014</u>	<u>Financing</u>	<u>Payments</u>	<u>Balance 6/30/2015</u>	<u>Current Portion</u>
Ford Motor Credit Co. 2014 Tahoe - Command Vehicle	\$ -	\$ 33,272	\$ 8,991	\$ 24,281	\$ 7,668
KS StateBank Fire Boat	<u>-</u>	<u>156,169</u>	<u>-</u>	<u>156,169</u>	<u>19,678</u>
	<u>\$ -</u>	<u>\$ 189,441</u>	<u>\$ 8,991</u>	<u>\$ 180,450</u>	<u>\$ 27,346</u>

In July 2014 the District purchased a 2014 Chevrolet Tahoe command vehicle. The four year lease-purchase agreement requires an annual payment of \$8,992 including an interest rate of 5.45%.

FALLEN LEAF LAKE COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

5. Long-term Debt, continued:

In August 2014 the District purchased a fire boat. The seven year lease-purchase agreement requires an annual payment of \$26,171 including an interest rate of 4.116%.

The future annual maturities of all long-term borrowings as of June 30, 2015 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 27,346	\$ 7,817	\$ 35,163
2017	28,582	6,581	35,163
2018	29,875	5,288	35,163
2019	22,236	3,935	26,171
2020	23,160	3,011	26,171
2021-2022	<u>49,251</u>	<u>3,092</u>	<u>52,343</u>
	<u>\$ 180,450</u>	<u>\$ 29,724</u>	<u>\$ 210,174</u>

6. Risk of Loss

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; and injuries to employees. During the 2015 fiscal year, the District purchased certain commercial insurance coverages to provide for these risks.

7. Subsequent Events:

Management has evaluated subsequent events through September 28, 2015, the date these June 30, 2015 financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

FALLEN LEAF LAKE COMMUNITY SERVICES DISTRICT
STATEMENT OF CASH FLOWS – ALL FUNDS
for the year ended June 30, 2015

Cash flows from operating activities:		
Change in net position (net income)		\$ 493,988
Adjustments to reconcile change in net position to net cash provided by operating activities		
Depreciation		76,826
(Increase) decrease in:		
Accounts receivable	\$ -	
(Decrease) increase in:		
Accounts payable	349	
Lease deposit	115	
Deferred revenue	(1)	<u>463</u>
Net cash provided by operating activities		571,277
Cash flows from investing activities:		
Purchase of equipment		(738,037)
Cash flows from financing activities:		
Financing	189,441	
Principal payment	(8,991)	<u>180,450</u>
Net increase in cash		13,690
Cash at beginning of year		<u>720,707</u>
Cash at end of year		\$ <u>734,397</u>
Change in net position by fund:		
General fund	\$ 1,712	
Fire department	(25,414)	
Parks & recreation	<u>37,392</u>	
Net increase in cash		\$ <u>13,690</u>

FALLEN LEAF LAKE COMMUNITY SERVICES DISTRICT
PRINCIPAL OFFICIALS
June 30, 2015

Board of Directors:

Robert J. Cathcart	President
Lawrence Calof	Vice President
Mike Casey	Director
Stephen A. Malley	Director
Thomas Bacchetti	Director

Staff:

Gary Gerren	Fire Chief/General Manager
Shawn Cullen	Bookkeeper