

**NORTH SAN JUAN
FIRE PROTECTION DISTRICT,
CALIFORNIA**

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

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NORTH SAN JUAN 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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NORTH SAN JUAN FIRE PROTECTION DISTRICT
Board of Directors
For the Year Ended June 30, 2016

Pat Leach	Chairman
Bruce Boyd	Vice Chairman
Ed Beckenbach	Director
Durinda Kelly	Director
Marilyn Mociun	Treasurer

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FINANCIAL SECTION

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

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
North San Juan Fire Protection District
North San Juan, California

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities and each major fund of North San Juan Fire Protection District, California (District), as of and for the year ended June 30, 2016, 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 the modified cash basis of accounting described in Note 1C; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 District'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
North San Juan Fire Protection District
North San Juan, California

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities and each major fund of the District as of June 30, 2016, and the respective changes in modified cash basis financial position thereof for the year then ended in accordance with the modified cash basis of accounting as described in Note 1C.

Basis of Accounting

We draw attention to Note 1C of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Emphasis of Matter

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

Report on Supplementary and Other Information

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

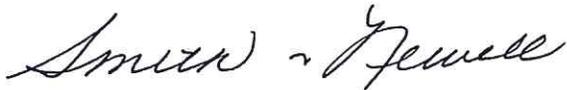
The budgetary comparison information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United State of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole, on the basis of accounting described in Note 1C.

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
North San Juan Fire Protection District
North San Juan, California

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 5, 2016 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.



Smith & Newell CPAs
Yuba City, California
December 5, 2016

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Basic Financial Statements

- **Government-Wide Financial Statements**

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NORTH SAN JUAN FIRE PROTECTION DISTRICT
Modified Cash Basis Statement of Net Position
June 30, 2016

	<u>Total Governmental Activities</u>
ASSETS	
Cash and investments	\$ 313,555
Capital assets:	
Non depreciable	38,223
Depreciable, net	<u>404,733</u>
Total capital assets	<u>442,956</u>
Total Assets	<u>756,511</u>
LIABILITIES	
Long-term liabilities:	
Due within one year	8,888
Due in more than one year	<u>8,887</u>
Total Liabilities	<u>17,775</u>
NET POSITION	
Net investment in capital assets	425,493
Restricted for mitigation	148,110
Unrestricted	<u>165,133</u>
Total Net Position	<u>\$ 738,736</u>

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

NORTH SAN JUAN FIRE PROTECTION DISTRICT
Modified Cash Basis Statement of Activities
For the Year Ended June 30, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		
Governmental activities:					
Public protection	\$ 416,684	\$ 8,441	\$ 30,156	\$ 14,000	\$ (364,087)
Interest on long-term debt	643	-	-	-	(643)
Total Governmental Activities	<u>417,327</u>	<u>8,441</u>	<u>30,156</u>	<u>14,000</u>	<u>(364,730)</u>
Total	<u>\$ 417,327</u>	<u>\$ 8,441</u>	<u>\$ 30,156</u>	<u>\$ 14,000</u>	<u>(364,730)</u>
General revenues:					
Taxes:					
					273,559
					2,216
					117,244
					<u>393,019</u>
					<u>28,289</u>
					<u>710,447</u>
					<u>\$ 738,736</u>

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

Basic Financial Statements

- **Fund Financial Statements**

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NORTH SAN JUAN FIRE PROTECTION DISTRICT
Modified Cash Basis Balance Sheet
Governmental Funds
June 30, 2016

	<u>General Fund</u>	<u>Mitigation Fees</u>	<u>Measure Q</u>	<u>Total</u>
ASSETS				
Cash and investments	\$ 165,445	\$ 6,770	\$ 141,340	\$ 313,555
Total Assets	<u>\$ 165,445</u>	<u>\$ 6,770</u>	<u>\$ 141,340</u>	<u>\$ 313,555</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Restricted	-	6,770	141,340	148,110
Committed	38,083	-	-	38,083
Unassigned	127,362	-	-	127,362
Total Fund Balances	<u>165,445</u>	<u>6,770</u>	<u>141,340</u>	<u>313,555</u>
Total Liabilities and Fund Balances	<u>\$ 165,445</u>	<u>\$ 6,770</u>	<u>\$ 141,340</u>	<u>\$ 313,555</u>

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

NORTH SAN JUAN FIRE PROTECTION DISTRICT
Reconciliation of the Governmental Fund Modified Cash Basis Balance
Sheet to the Government-Wide Modified Cash Basis Statement of
Net Position - Governmental Activities
June 30, 2016

Total Fund Balances - Total Governmental Funds	\$ 313,555
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 funds.	442,956
Certain liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds.	
Capital leases payable	<u>(17,775)</u>
Net Position of Governmental Activities	<u><u>\$ 738,736</u></u>

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

NORTH SAN JUAN FIRE PROTECTION DISTRICT
Modified Cash Basis Statement of Revenues,
Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2016

	<u>General Fund</u>	<u>Mitigation Fees</u>	<u>Measure Q</u>	<u>Total</u>
REVENUES				
Taxes and assessments	\$ 171,205	\$ -	\$ 102,354	\$ 273,559
Use of money and property	1,315	35	866	2,216
Intergovernmental revenues	30,156	-	-	30,156
Mitigation fees	-	8,441	-	8,441
Other revenues	117,244	-	-	117,244
Total Revenues	<u>319,920</u>	<u>8,476</u>	<u>103,220</u>	<u>431,616</u>
EXPENDITURES				
Public protection:				
Salaries and benefits	217,329	-	-	217,329
Services and supplies	151,070	-	-	151,070
Debt service:				
Principal	-	8,576	-	8,576
Interest and other charges	-	643	-	643
Total Expenditures	<u>368,399</u>	<u>9,219</u>	<u>-</u>	<u>377,618</u>
Excess of Revenue Over (Under) Expenditures	<u>(48,479)</u>	<u>(743)</u>	<u>103,220</u>	<u>53,998</u>
OTHER FINANCING SOURCES (USES)				
Transfer in	45,465	1,819	-	47,284
Transfer out	-	-	(47,284)	(47,284)
Total Other Financial Sources (Uses)	<u>45,465</u>	<u>1,819</u>	<u>(47,284)</u>	<u>-</u>
Net Change in Fund Balances	<u>(3,014)</u>	<u>1,076</u>	<u>55,936</u>	<u>53,998</u>
Fund Balances - Beginning	<u>168,459</u>	<u>5,694</u>	<u>85,404</u>	<u>259,557</u>
Fund Balances - Ending	<u>\$ 165,445</u>	<u>\$ 6,770</u>	<u>\$ 141,340</u>	<u>\$ 313,555</u>

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

NORTH SAN JUAN FIRE PROTECTION DISTRICT
Reconciliation of the Modified Cash Basis Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds to the
Government-Wide Modified Cash Basis Statement of Activities - Governmental Activities
For the Year Ended June 30, 2016

Net Change in Fund Balances - Total Governmental Funds	\$ 53,998
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.	
Less: current year depreciation	(48,285)
Adjustments affecting capital assets (including capital contributions)	14,000
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Principal retirements	8,576
Change in Net Position of Governmental Activities	\$ 28,289

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

Basic Financial Statements

- **Notes to Modified Cash Basis Financial Statements**

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NORTH SAN JUAN FIRE PROTECTION DISTRICT
Notes to Modified Cash Basis Financial Statements
For the Year Ended June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The North San Juan Fire Protection District was organized pursuant to section 14001 - 14314 of the California Health and Safety Code. The District provides fire protection services to the North San Juan area of Nevada County and maintains facilities in North San Juan. Revenues are derived principally from the County wide tax levy and special assessments on improved on unimproved parcels within the District through the 2015-2016 fiscal year.

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.

B. Basis of Presentation

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the activities of the 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 and 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 funds, each of which is considered to be separate accounting entities. 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 within the governmental category, each displayed in a separate column.

NORTH SAN JUAN FIRE PROTECTION DISTRICT
Notes to Modified Cash Basis Financial Statements
For the Year Ended June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

Fund Financial Statements (Continued)

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 safety and protection.
- The Mitigation Fees fund is a special revenue fund used to account for revenues and expenditures related to mitigation fees.
- The Measure Q fund is a special revenue fund used to account for revenues and expenditures related to the Measure Q tax assessment.

C. Basis of Accounting and Measurement Focus

The government-wide financial statements are reported using the economic resources measurement focus, within the limitations of the modified cash basis of accounting. The modified cash basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. This basis of presentation differs from accounting principles generally accepted in the United States of America (GAAP) in that certain revenues are recognized when received rather than earned and certain expenses are recognized when paid rather than when the obligation is incurred. Such variances are presumed to be material. However similar to financial statements prepared in accordance with GAAP, these financial statements reflect the capitalized cost of equipment and related depreciation, and long-term debt.

Governmental funds are reported using the current financial resources measurement focus, within the limitations of the modified cash basis of accounting. In the governmental funds general capital assets acquisitions are reported as expenditures and proceeds of general long-term debt and 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 cash and investments, other than imprest cash, with the County of Nevada. The Nevada County Treasury is an external investment pool for the District and the District is considered an involuntary participant. Each fund's share in this pool is displayed in the accompanying financial statements as cash and investments.

NORTH SAN JUAN FIRE PROTECTION DISTRICT
Notes to Modified Cash Basis Financial Statements
For the Year Ended June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Investments (Continued)

Participant's equity in the investment pool is determined by the dollar amount of participant deposits, adjusted for withdrawals and distributed investment income. Investment income is determined on the amortized cost basis. Amortized premiums and accreted discounts, accrued interest, and realized gains and losses, net of expenses, are apportioned to pool participants each quarter based on the participant's average daily cash balance at quarter end in relation to the total pool investments. This method differs from the fair value method used to value investments in these financial statements. During the fiscal year ended June 30, 2016, the County Treasurer has not entered into any legally binding guarantees to support the value of participant equity in the investment pool.

F. Inventory

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

G. Capital Assets

Capital assets, which include property, plant, and equipment, are valued at historical cost or estimated historical cost if actual is unavailable. Contributed capital assets are valued at their estimated acquisition value at the date of donation. Capital assets are defined by the District as an asset with a cost greater than \$1,000 and a useful life of more than one year. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is not included as part of the capitalized cost.

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

<u>Depreciable Asset</u>	<u>Estimated Lives</u>
Equipment	3-25 years
Structures and Improvements	5-50 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 retirement 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.

H. 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.

NORTH SAN JUAN FIRE PROTECTION DISTRICT
Notes to Modified Cash Basis Financial Statements
For the Year Ended June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Property Tax (Continued)

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.

I. Compensated Absences and Postemployment Benefits

At June 30, 2016, the District did not have any full-time employees who would be eligible for vacation, sick leave or compensatory time off.

The District does not currently provide postemployment benefits.

J. 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. At June 30, 2016, the District did not have any deferred outflows of resources.

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. At June 30, 2016, the District did not have any deferred inflows of resources.

K. Interfund Transactions

Interfund transactions are reflected as either loans, services provided or used, reimbursements or transfers.

Loans reported as receivables and payables are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion to interfund loans) as appropriate and are subject to elimination upon consolidation. Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance in applicable governmental funds to indicate that they are not in spendable form.

Services provided or used, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. These services provide information on the net cost of each government function and therefore are not eliminated in the process of preparing the government-wide statement of activities.

NORTH SAN JUAN FIRE PROTECTION DISTRICT
Notes to Modified Cash Basis Financial Statements
For the Year Ended June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Interfund Transactions (Continued)

Reimbursements occur when the funds responsible for particular expenditures repay the funds that initially paid for them. Such reimbursements are reflected as expenditures in the reimbursing fund and reductions to expenditures in the reimbursed fund.

All other interfund transactions are treated as transfers.

L. Estimates

The preparation of basic 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. Actual results could differ from those estimates.

M. 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.

Statement No. 73, Accounting and Financial Reporting for Pension 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 contribution 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.

NORTH SAN JUAN FIRE PROTECTION DISTRICT
Notes to Modified Cash Basis Financial Statements
For the Year Ended June 30, 2016

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:	
Bank deposits	\$ <u>500</u>
Total Cash	<u>\$ 500</u>
Investments:	
Nevada County Treasurer's Pool	\$ <u>313,055</u>
Total Investments	<u>313,055</u>
Total Cash and Investments	<u>\$ 313,555</u>

B. Cash

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 year end, the carrying amount of the District's cash deposits (including amount in checking accounts) was \$500 and the bank balance was \$1,026. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit.

C. Investments

The District does not have a formal investment policy. At June 30, 2016, all investments of the District were in the County of Nevada investment pool. Under the provisions of the County's investment policy and the California Government Code, the County may invest or deposit in the following:

- Banker's Acceptances
- Commercial Paper
- Local Agency Investment Fund
- Medium Term Corporate Notes
- Money Market Funds
- Negotiable Certificates of Deposit
- Repurchase Agreements
- Reverse Repurchase Agreements
- Securities of the Federal Government of its Agencies
- California State Registered Warrants, Treasury Notes and Bonds
- Local Agency Obligations
- Certificates of Deposit
- Pass-Through Security

NORTH SAN JUAN FIRE PROTECTION DISTRICT
Notes to Modified Cash Basis Financial Statements
For the Year Ended June 30, 2016

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

C. Investments (Continued)

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 Measured at Fair Value	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Investments in External Investment Pool				
County Treasurer's Pool	<u>313,055</u>			
Total Investments	<u>\$ 313,055</u>			

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 County's investment policy limits investment maturities to a term appropriate to the need for funds so as to permit the County to meet all projected obligations.

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 national recognized statistical rating organization. The County's investment policy sets specific parameters by type of investment to be met at the time of purchase. As of June 30, 2016, the District's investment were all pooled with the County Treasury which is not rated by a nationally recognized statistical rating organization.

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. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to local government's indirect investments in securities through the use of mutual funds or government investment pools.

NORTH SAN JUAN FIRE PROTECTION DISTRICT
Notes to Modified Cash Basis Financial Statements
For the Year Ended June 30, 2016

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

C. Investments (Continued)

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

NOTE 3: CAPITAL ASSETS

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

	Balance July 1, 2015	Additions	Retirements	Balance June 30, 2016
Capital Assets, Not Being Depreciated:				
Land	\$ 38,223	\$ -	\$ -	\$ 38,223
Total Capital Assets, Not Being Depreciated	<u>38,223</u>	<u>-</u>	<u>-</u>	<u>38,223</u>
Capital Assets, Being Depreciated:				
Buildings and improvements	348,150	-	-	348,150
Vehicles and fire apparatus	713,242	2,000	-	715,242
Furniture and fixtures	<u>226,669</u>	<u>12,000</u>	<u>-</u>	<u>238,669</u>
Total Capital Assets, Being Depreciated	<u>1,288,061</u>	<u>14,000</u>	<u>-</u>	<u>1,302,061</u>
Less Accumulated Depreciation For:				
Buildings and improvements	(156,764)	(7,097)	-	(163,863)
Vehicles and fire apparatus	(498,128)	(33,977)	-	(532,105)
Furniture and fixtures	<u>(194,151)</u>	<u>(7,211)</u>	<u>-</u>	<u>(201,361)</u>
Total Accumulated Depreciation	<u>(849,043)</u>	<u>(48,285)</u>	<u>-</u>	<u>(897,329)</u>
Total Capital Assets, Being Depreciated, Net	<u>439,018</u>	<u>(34,285)</u>	<u>-</u>	<u>404,733</u>
Capital Assets, Net	<u>\$ 477,241</u>	<u>(\$ 34,285)</u>	<u>\$ -</u>	<u>\$ 442,956</u>

Depreciation

Depreciation expense was charged to governmental activities as follows:

Public Protection	\$ <u>48,285</u>
Total Depreciation Expense – Governmental Activities	\$ <u><u>48,285</u></u>

NORTH SAN JUAN FIRE PROTECTION DISTRICT
Notes to Modified Cash Basis Financial Statements
For the Year Ended June 30, 2016

NOTE 4: LONG-TERM LIABILITIES

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

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions/</u> <u>Adjustments</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Due Within</u> <u>One Year</u>
Capital Leases Payable	\$ 26,351	\$ -	(\$ 8,576)	\$ 17,775	\$ 8,888
Total	<u>\$ 26,351</u>	<u>\$ -</u>	<u>(\$ 8,576)</u>	<u>\$ 17,775</u>	<u>\$ 8,888</u>

NOTE 5: LEASES

Capital Leases

The District has entered into certain capital lease agreements under which the related equipment will become the property of the District when all terms of the lease agreements are met.

	<u>Stated</u> <u>Interest Rate</u>	<u>Present Value</u> <u>of Remaining</u> <u>Payments at</u> <u>June 30, 2016</u>
Governmental activities	2.45%	\$ 17,775
Total		<u>\$ 17,775</u>

Equipment and related accumulated depreciation under capital lease are as follows:

	<u>Governmental</u> <u>Activities</u>
Equipment	\$ 43,850
Less: accumulated depreciation	(13,155)
Net Value	<u>\$ 30,695</u>

As of June 30, 2016, capital lease annual amortization was as follows:

	<u>Governmental</u> <u>Activities</u>
Year Ending June 30:	
2017	\$ 9,219
2018	<u>9,219</u>
Total Requirements	18,438
Less Interest	(663)
Present Value of Remaining Payments	<u>\$ 17,775</u>

NORTH SAN JUAN FIRE PROTECTION DISTRICT
Notes to Modified Cash Basis Financial Statements
For the Year Ended June 30, 2016

NOTE 6: NET POSITION

The government-wide fund 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 7: 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.

NORTH SAN JUAN FIRE PROTECTION DISTRICT
Notes to Modified Cash Basis Financial Statements
For the Year Ended June 30, 2016

NOTE 7: 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 major and nonmajor governmental funds as of June 30, 2016, were distributed as follows:

	General Fund	Mitigation Fees	Measure Q	Total
Restricted for:				
Mitigation	\$ -	\$ 6,770	\$ -	\$ 6,770
Measure Q	-	-	141,340	141,340
Subtotal	-	6,770	141,340	148,110
Committed to:				
Capital savings	38,083	-	-	38,083
Subtotal	38,083	-	-	38,083
Unassigned	127,362	-	-	127,362
Total	\$ 165,445	\$ 6,770	\$ 141,340	\$ 313,555

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.

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 purchases coverage from a commercial carrier. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NORTH SAN JUAN FIRE PROTECTION DISTRICT
Notes to Modified Cash Basis Financial Statements
For the Year Ended June 30, 2016

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.

B. Subsequent Events

Management has evaluated events subsequent to June 30, 2016 through December 5, 2016, the date on which the financial statements were available for issuance. Management has determined no subsequent events requiring disclosure have occurred.

**Supplementary Information
(Unaudited)**

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NORTH SAN JUAN FIRE PROTECTION DISTRICT
Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes and assessments	\$ 162,670	\$ 169,282	\$ 171,205	\$ 1,923
Use of money and property	800	800	1,315	515
Intergovernmental revenues	29,400	29,280	30,156	876
Other revenues	82,000	82,000	117,244	35,244
Total Revenues	<u>274,870</u>	<u>281,362</u>	<u>319,920</u>	<u>38,558</u>
EXPENDITURES				
Public protection:				
Salaries and benefits	95,100	95,100	217,329	(122,229)
Services and supplies	175,400	275,650	151,070	124,580
Contingency	27,487	28,136	-	28,136
Capital outlay	-	-	-	-
Total Expenditures	<u>297,987</u>	<u>398,886</u>	<u>368,399</u>	<u>30,487</u>
Excess of Revenues Over (Under) Expenditures	<u>(23,117)</u>	<u>(117,524)</u>	<u>(48,479)</u>	<u>69,045</u>
OTHER FINANCING SOURCES (USES)				
Transfer in	99,575	100,250	45,465	(54,785)
Transfer out	-	-	-	-
Total Other Financing Sources (Uses)	<u>99,575</u>	<u>100,250</u>	<u>45,465</u>	<u>(54,785)</u>
Net Change in Fund Balances	76,458	(17,274)	(3,014)	14,260
Fund Balances - Beginning	<u>168,459</u>	<u>168,459</u>	<u>168,459</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 244,917</u>	<u>\$ 151,185</u>	<u>\$ 165,445</u>	<u>\$ 14,260</u>

NORTH SAN JUAN FIRE PROTECTION DISTRICT
Supplementary Information
Budgetary Comparison Schedule
Major Special Revenue Fund - Mitigation Fees
For the Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
REVENUES				
Use of money and property	\$ 200	\$ 200	\$ 35	\$ (165)
Mitigation fees	10,000	10,000	8,441	(1,559)
Total Revenues	<u>10,200</u>	<u>10,200</u>	<u>8,476</u>	<u>(1,724)</u>
EXPENDITURES				
Debt service:				
Principal	8,370	8,370	8,576	(206)
Interest and other charges	849	849	643	206
Total Expenditures	<u>9,219</u>	<u>9,219</u>	<u>9,219</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures	<u>981</u>	<u>981</u>	<u>(743)</u>	<u>(1,724)</u>
OTHER FINANCING SOURCES (USES)				
Transfer in	-	-	1,819	1,819
Transfer out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>1,819</u>	<u>1,819</u>
Net Change in Fund Balances	981	981	1,076	95
Fund Balances - Beginning	<u>5,694</u>	<u>5,694</u>	<u>5,694</u>	<u>-</u>
Fund Balances - Ending	<u><u>\$ 6,675</u></u>	<u><u>\$ 6,675</u></u>	<u><u>\$ 6,770</u></u>	<u><u>\$ 95</u></u>

NORTH SAN JUAN FIRE PROTECTION DISTRICT
Supplementary Information
Budgetary Comparison Schedule
Major Special Revenue Fund - Measure Q
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				
Taxes and assessments	\$ 98,800	\$ 100,000	\$ 102,354	\$ 2,354
Use of money and property	775	250	866	616
Total Revenues	<u>99,575</u>	<u>100,250</u>	<u>103,220</u>	<u>2,970</u>
EXPENDITURES				
Public protection:				
Services and supplies	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures	<u>99,575</u>	<u>100,250</u>	<u>103,220</u>	<u>2,970</u>
OTHER FINANCING SOURCES (USES)				
Transfer in	-	-	-	-
Transfer out	<u>(99,575)</u>	<u>(100,250)</u>	<u>(47,284)</u>	<u>52,966</u>
Total Other Financing Sources (Uses)	<u>(99,575)</u>	<u>(100,250)</u>	<u>(47,284)</u>	<u>52,966</u>
Net Change in Fund Balances	-	-	55,936	55,936
Fund Balances - Beginning	<u>85,404</u>	<u>85,404</u>	<u>85,404</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 85,404</u>	<u>\$ 85,404</u>	<u>\$ 141,340</u>	<u>\$ 55,936</u>

NORTH SAN JUAN FIRE PROTECTION DISTRICT
Supplementary Information
Note 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. The amounts reported on the budgetary basis are generally on the basis of accounting described in Note 1C of the financial statements.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- (1) The budget process begins with a preliminary budget prepared by the Finance Committee to cover the net fiscal year from July 1 to June 30 and presented to the Board for approval in June of each year.
- (2) If needed, a Revised Preliminary Budget is prepared in September and approved by the Board in October.
- (3) The bulk of the District's revenues are taxes and assessments received from Nevada County. These revenues are deposited in the District's account in December. A proposed budget is then prepared, reflecting estimate expenditures and the actual funding from the County. This budget is approved as the adopted budget by the Board in January.
- (4) A revised adopted budget is usually drafted in April and approved by the Board in May.
- (5) A final budget reflecting actual income is presented to the Board for approval in June. The purpose of this budget is to ensure that all major expenditure categories have sufficient funds to cover expenditures through the end of the fiscal year.
- (6) Finally, a financial reconciliation is prepared after the end of the fiscal year and presented to the Board in August showing actual income and expenditures for the fiscal year.

OTHER REPORT AND SCHEDULE

- **Other Report**
- **Schedule of Prior Year Findings and Recommendations**

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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
North San Juan Fire Protection District
North San Juan, 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 modified cash basis financial statements of the governmental activities and each major fund of the North San Juan Fire Protection District, North San Juan, California (District) as of and for the year ended June 30, 2016, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 5, 2016.

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. However, material weaknesses may exist that have not been identified.

To The Board of Directors
North San Juan Fire Protection District
North San Juan, California

Compliance and Other Matters

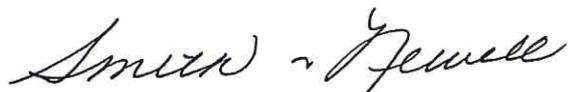
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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.

District's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and recommendations. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Smith & Newell, CPAs
Yuba City, California
December 5, 2016

NORTH SAN JUAN FIRE PROTECTION DISTRICT
Schedule of Findings and Recommendations
For the Year Ended June 30, 2016

<u>Audit Reference</u>	<u>Status of Prior Year Audit Recommendation</u>
2015-001	Payroll Expenditures Recommendation We recommend that the District withhold payroll taxes on all payroll unless it is specifically excluded by the Internal Revenue Code. Status Implemented

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