

**NORTHERN SIERRA AIR QUALITY
MANAGEMENT DISTRICT**

**AUDIT REPORT
JUNE 30, 2017**

APR 30 2018

March 21, 2018

To the Board of Directors
Northern Sierra Air Quality Management District
200 Litton Drive, Suite 320
Grass Valley, CA 95945

We have audited the financial statements of the governmental activities and the major funds of Northern Sierra Air Quality Management District for the year ended June 30, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated February 1, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practice

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Northern Sierra Air Quality Management District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2016/2017. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the District's financial statements was:

Management's estimate of the Net Pension Liability is based on and Actuarial Valuation prepared by PERS. We evaluated the key factors and assumptions used to develop the Net Pension Liability in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of Committed Fund Balance, in Note 11 to the financial statements regarding the commitment of portions of unrestricted funds.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Susanville:

1740 Main Street, Suite A, Susanville, CA 96130
530.257.1040 Fax: 530.257.8876

sa@sa-cpas.com
www.sa-cpas.com

Chester:

PO Box 795, Chester, CA 96020
530.258.2272 Fax: 530.258.2282

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 21, 2018.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Northern Sierra Air Quality Management District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquires of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the information and use of the Board of Directors and management of Northern Sierra Air Quality Management District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,



SingletonAuman, PC

**NORTHERN SIERRA AIR QUALITY MANAGEMENT DISTRICT
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2017**

TABLE OF CONTENTS

<u>FINANCIAL SECTION</u>	<u>Page No.</u>
Independent Auditors' Report on Financial Statements	1
Management's Discussion and Analysis	4
 <u>Basic Financial Statements:</u>	
Government-Wide Statement of Net Position	13
Government-Wide Statement of Activities	14
 <u>Fund Financial Statements:</u>	
Balance Sheet-Governmental Funds	15
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	16
Statement of Revenue, Expenditures and Changes in Fund Balances-Governmental Funds	17
Reconciliation of the Statement of Revenues, Expenditures And Changes in Fund Balances of Governmental Funds To the Statement of Activities	18
Notes to Financial Statements	19
 <u>Required Supplementary Information:</u>	
General Fund – Budgetary Comparison Schedule	36
Restricted Fund – Budgetary Comparison Schedule	37
Proportionate Share of the Net Pension Liability - PERS	38
Schedule of District Contributions - PERS	39
 <u>OTHER SUPPLEMENTARY INFORMATION</u>	
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	40
Combined Schedule of Findings and Questioned Costs	42
Summary Schedule of Prior Year Audit Findings	45
Corrective Action Plan	46

FINANCIAL SECTION

Independent Auditors' Report

Board of Directors
Northern Sierra Air Quality Management District
Grass Valley , CA

We have audited the accompanying financial statements of the governmental activities and the major funds of the Northern Sierra Air Quality Management District (District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 District'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.

Susanville:

1740 Main Street, Suite A, Susanville, CA 96130
530.257.1040 Fax: 530.257.8876

sa@sa-tpas.com
www.sa-cpas.com

Chester:

PO Box 795, Chester, CA 96020
530.258.2272 Fax: 530.258.2282

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major funds of Northern Sierra Air Quality Management District as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2018, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Respectfully Submitted,



SingletonAuman PC
Susanville, CA
March 21, 2018

NORTHERN SIERRA AIR QUALITY MANAGEMENT DISTRICT
Management's Discussion and Analysis (MD&A)
June 30, 2017

INTRODUCTION

Our discussion and analysis of Northern Sierra Air Quality Management District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2017. It should be read in conjunction with the District's financial statements (including notes and supplementary information), which follow this section.

The District's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the District's financial activity, (c) identify changes in the District's financial position (its ability to address the next and subsequent year challenges), (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues or concerns.

Overview of District's Financial Activity

The District's mission is to preserve air quality and protect the public health and welfare in Nevada, Plumas and Sierra Counties. The District does this through programs implemented with the assistance of federal, state and local contributions. A major portion of the District's yearly annual revenue is through state subvention.

Pursuant to the joint powers agreement and amendments signed by the chairperson of each member county Board of Supervisors, the District receives funding from each of the Counties it serves. Each year, the District's Board of Directors adopts one method of calculating the current year's contribution. Methods are based on historical contributions, county populations, need, and inflation. Additional revenue comes from the following sources:

- State Subvention Funds
- AB 2766 DMV Surcharge Fees
- AB 923 DMV Surcharge Fees
- Stationary Source Fees
- Hearing Board Fees
- Open Burning Fees
- Woodstove Inspection Fees
- AB 2588 Air Toxics Hot Spots Fees
- Fines Levied for Rule Infractions
- Interest on Reserves
- Subscriptions & Copies
- Contract with EPA to Monitor PM2.5
- Carl Moyer Program (grant pass-through only)
- Lower Emission School Bus Program (Proposition 1B)
- TIMBER (Truck Improvement Modernization Emission Reduction)
- EPA's 2015 Target Grant (for the Plumas PM.2.5 Nonattainment Area)
- H & S Settlement with EPA

Assembly Bill 2766 (1991) Vehicle Registration Fee funds make up a significant portion of District revenue, however, these funds may be used solely to reduce air pollution from motor vehicles and for related planning, monitoring, enforcement, and technical studies necessary for the implementation of the California Clean Air Act of 1988. The District collects \$4 per vehicle registration in Nevada County and Plumas County and \$2 registration in Sierra County.

The District receives revenues from the State which are restricted - funds which can only be used for exclusive purposes allocated by the Board and state requirements. Examples of continuing restricted funds are the pass-through grant programs of Board-approved AB2766 projects and Carl Moyer Heavy-Duty Diesel program. The District administers the expenditure of these monies (restricted expenditures) for worthy air pollution projects within the District's jurisdiction. All monies restricted for external grants only are placed in an account (Restricted Budget) separate from the District's Internal Operating Budget.

Carl Moyer Program pass-through funds come from ARB at a different cycle than the District's Fiscal Year of July 1, and is to be used throughout a three year time period. During FY 16/17, the District disbursed \$247,345.

The External AB2766 grant cycle lags behind the fiscal year by 3 months, running from October 1st to September 30th. AB 2766 funding is encumbered in June (for previously approved grants) for use after June 30th. Typically, about half of originally allocated funds are used in these final months. During the first 3 months of the AB 2766 grant cycle, the opposite is true. As grantees gear up and since grant payments are reimbursement-based there is a lag of several months before payments are made to grantees. This irregular, unpredictable cash flow produces confusion to those trying to evaluate the District's reserves and can lead to overly optimistic estimations of the financial health of the District's reserves. In order to make this process easier to understand, the District places the granted portion of AB2766 funds in a separate account (Restricted Account) from the Operating Account. The AB 2766 projects must go through a competitive process and be approved by the District's Board of Directors. During FY 16/17, the District disbursed \$81,286.

TIMBER (Truck Improvement Modernization Emission Reduction Program)

The Carl Moyer Truck Improvement/Modernization Benefitting Emission Reductions (TIMBER) Program provides a streamlined approach for replacing older, high-polluting heavy-duty log trucks earlier than required. The TIMBER program helps reduce some of the costs associated with replacing a log truck with a new (not used) log truck. The District disbursed \$95,000 during FY 16/17.

EPA's Target Grant (for the Plumas PM2.5 Nonattainment area)

The District received a \$2.48 million grant from the Targeted Air Shed Grant for a wood stove change-out program. The grant is intended to improve air quality in areas of the U. S. with the highest levels of pollution. During fiscal year 16/17 the District expended \$273,972 on this grant.

H & S Woodstove Mitigation

The District had a one-time revenue of \$400,000 as a result of a settlement between H & S and the Environmental Protection Agency. These funds are to be used for a woodstove change-out program. The District disbursed \$105,300 during FY 16/17.

Financial Highlights – Operating Budget

The operating fund reported an excess of revenues over expenditures this year of \$140,877. During the year, the District's non-grant expenses were \$769,937, while revenue for the unrestricted fund was \$910,814.

Operating Budget - Revenue

Revenues were \$910,814 which exceeded expected revenue by \$54,549. This was largely due to greater than expected AB 2766 Fees.

For Fiscal Year 17/18, the District expects revenue to be \$871,090.

Operating Budget - Expenditures

During FY 16-17, approximately 73% of expenditures (\$567,005) were utilized for Salaries and Benefits. During FY 17-18, the District expects \$596,179 (76% of total expenditures) for Salaries and Benefits.

Financial Highlights - Restricted Budget

The restricted fund reported an excess of revenue over expenditures this year of \$104,590. During the year, the District's restricted revenue was \$907,495 while expenditures for the restricted fund were \$802,905.

Restricted Revenue

Total revenue for FY 16/17 was \$907,495. This revenue is from five government grant programs; AB2766, AB 923, EPA Target Grant, TIMBER and the Woodstove change-out.

Restricted Expenditures

Total amount disbursed in FY 16/17 was \$802,905. Major disbursements were as follows: \$81,287 for the AB2766 program, \$247,345 for the Carl Moyer Heavy Duty Diesel program, \$95,000 for the TIMBER Program, \$105,300 for the H & S Mitigation Program and \$273,973 for the EPA Target Grant.

FINANCIAL HIGHLIGHTS

- ❑ Total net position was \$366,372 at June 30, 2017. This was an increase of \$105,277 over the prior year.
- ❑ Overall revenues were \$1,818,309, which were more than expenses of \$1,674,322 by \$143,987.
- ❑ The General Fund reported a fund balance this year of \$748,645.
- ❑ The Restricted Fund reported a fund balance this year of \$669,840.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts – management’s discussion and analysis (this section), the basic financial statements, and required supplementary information. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

- **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity’s overall financial position.
- **Fund financial statements** focus on reporting the individual parts of the District operations in more detail. The fund financial statements comprise the remaining statements.
 - **Governmental funds** statements tell how general government services were financed in the short term as well as what remains for future spending.
 - **Fiduciary fund** statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources belong.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The basic financial statements are followed by a section of required supplementary information that further explains and supports the financial statements. A comparison of the district’s budget for the year is included.

Government-Wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District’s net position and how it has changed. Net position, the difference between assets and liabilities, is one way to measure the District’s financial health or position.

- Over time, increases or decreases in the District’s net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in the tax base, and changes in program funding by the Federal and State governments, and the condition of the District’s facilities.

The government-wide financial statements of the District include governmental activities. Most of the District’s basic services are included here, such air monitoring.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds-not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular programs. Some funds are required to be established by state law and by bond covenants. The Board of Directors establishes other funds to control and manage money for particular purposes or to show that the District is meeting legal responsibilities for using certain revenues. The District has one kind of funds:

- Governmental funds - Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the government funds statements that explains the relationship (or differences) between them.

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District's combined net position was \$366,372 at June 30, 2017. See Table 1.

**Table 1:
Net Position**

	Governmental Activities		Total Percentage
	2017	2016	Change 2017-2016
Assets			
Cash	\$ 1,653,463	\$ 1,862,217	-11.21%
Accounts Receivable	193,431	75,780	155.25%
Prepaid Expenses		17,411	100.00%
Capital Assets, Net of Accumulated Depreciation	139,173	131,684	5.69%
Total Assets	1,986,067	2,087,092	-4.84%
Deferred Outflows			
Pension Plan Contributions	250,083	65,959	100.00%
Liabilities			
Accounts Payable	17,028	21,689	-21.49%
Unearned Revenue	411,381	721,991	-43.02%
Long-Term Debt	1,398,642	1,172,748	19.26%
Total Liabilities	1,827,051	1,916,428	-4.66%
Deferred Inflows			
Pension Plan Income	42,727	(24,272)	100.00%
Net Position			
Net Investment In Capital Assets	139,173	131,684	5.69%
Restricted	669,840	565,250	18.50%
Unrestricted	(442,641)	(435,839)	1.56%
TOTAL NET POSITION	\$ 366,372	\$ 261,095	40.32%

Changes in Net Position

The District's total revenues were \$1,818,309. A majority of the revenue comes from Federal and State aid for specific programs (92%) of total revenues.

The total cost of all programs and services was \$1,674,322. This reflects an increase of \$398,724 in expenditures from the prior year.

**Table 2:
Changes in Net Position**

	Governmental Activities		Total Percentage
	2017	2016	Change 2017-2016
Revenues			
Permits & Fees	\$ 129,747	\$ 160,301	-19.06%
Government Funding	1,662,608	1,242,295	33.83%
Interest Income	21,953	11,828	85.60%
Other Income	4,001	10,787	-62.91%
TOTAL REVENUES	1,818,309	1,425,211	27.58%
Expenses:			
Air Quality Management	1,674,322	1,275,598	31.26%
TOTAL EXPENSES	1,674,322	1,275,598	31.26%
INCREASE/(DECREASE) IN NET POSITION	\$ 143,987	\$ 149,613	-3.76%

Governmental Activities

Table 3 presents the cost of each of the District's functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by charges for services, operating grants and capital grants and contributions.

The total cost of all governmental activities this year was \$1,674,322.

**Table 3
Net Cost of Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2017	2016	2017	2016
Air Quality Management	\$ 1,674,322	\$ 1,275,598	\$ 122,015	\$ 137,785
TOTAL	\$ 1,674,322	\$ 1,275,598	\$ 122,015	\$ 137,785

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The overall financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,418,415 which is above last year's ending fund balance of \$1,173,018 (as restated).

General Fund Budgetary Highlights

Before each year the District budgets for that year operation. The Districts' budget was revised during the year. A schedule of the District's original and final budget amounts compared with

actual revenues and expenses is provided in the supplemental section of the audited financial report.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2017, the District had invested \$131,684 in a broad range of capital assets, including furniture, equipment and vehicles. See Table 4.

Table 4
Capital Assets

	Governmental Activities		Total Percentage
	2017	2016	Change 2017-2016
Furniture	\$ 72,665	\$ 101,975	-28.74%
Equipment	259,349	252,312	2.79%
Vehicles	101,662	109,159	-6.87%
Construction in Process			100.00%
Totals at Historical Cost	433,676	463,446	-6.42%
Total Accumulated Depreciation	(294,503)	(331,762)	-11.23%
NET CAPITAL ASSETS	\$ 139,173	\$ 131,684	5.69%

The District expects \$50,430 in capital expenditures for the 2017/18 fiscal year.

Long-Term Debt

At year end, the District had \$1,398,642 in debt, consisting of compensated absences, other post-employment benefits and net pension liability as shown in Table 5. More detailed information about the District's debt is presented in the notes to the financial statements.

Table 5
Long-Term Debt

	Governmental Activities		Total Percentage
	2017	2016	Change 2017-2016
Compensated Absences	\$ 56,065	\$ 52,936	5.91%
Other-Post Employment Benefits	416,993	368,540	13.15%
Net Pension Liability	925,584	751,272	23.20%
TOTAL LONG-TERM DEBT	\$ 1,398,642	\$ 1,172,748	19.26%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

At the time these financial statements were prepared and audited, the District was aware of several circumstances that could affect its future financial health:

- The uncertainty of state funding can have a profound impact on the financial health of the District. Although no changes are currently anticipated, the state government could implement mid-year budget cuts and further cash deferrals.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, participants, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact:

Gretchen Bennett, Air Pollution Control Officer
Northern Sierra Air Quality Management District
200 Litton Drive, Suite 320
Grass Valley, CA 95945
530-274-9360

NORTHERN SIERRA AIR QUALITY MANAGEMENT DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2017

	<u>Governmental Activities</u>
Assets	
Cash on Hand and in Banks	\$ 104,719
Cash in County Treasury	1,548,744
Accounts Receivable	193,431
Capital Assets:	
Furniture, Equipment, Vehicles, Net	<u>139,173</u>
Total assets	<u>1,986,067</u>
 Deferred Outflows of Resources	
Deferred Recognition of Contributions to Pension Plan	<u>250,083</u>
 Liabilities	
Accounts Payable	17,028
Unearned Revenue	411,381
Noncurrent Liabilities	
Due within one year	56,065
Due within more than one year	416,993
Net Pension Liability	<u>925,584</u>
Total liabilities	<u>1,827,051</u>
 Deferred Inflows of Resources	
Deferred Recognition of Pension Plan Earnings	<u>42,727</u>
 Net Position	
Net Investment in Capital Assets	139,173
Restricted	669,840
Unrestricted	<u>(442,641)</u>
Total Net Position	<u>\$ 366,372</u>

The accompanying notes are an integral part of this statement.

**NORTHERN SIERRA AIR QUALITY MANAGEMENT DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

Governmental Activities	Expenses	Program Revenues Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position Total Governmental Activities
Air Quality Management	\$ 1,674,322	\$ 129,748	\$ 1,666,609	\$ 122,035
Total Governmental Activities	\$ 1,674,322	\$ 129,748	\$ 1,666,609	\$ 122,035
General Revenues:				
Interest				21,952
Total General Revenue				21,952
Change in net position				143,987
Net position beginning (As Restated - See Note 12)				222,385
Net position ending				\$ 366,372

The accompanying notes are an integral part of this statement.

**NORTHERN SIERRA AIR QUALITY MANAGEMENT DISTRICT
BALANCE SHEET
JUNE 30, 2017**

	<u>General Fund</u>	<u>Restricted Fund</u>	<u>Total</u>
Assets			
Cash on Hand and in Banks	\$ 104,719	\$ -	\$ 104,719
Cash in County Treasury	573,531	975,213	1,548,744
Accounts receivable	<u>85,300</u>	<u>108,131</u>	<u>193,431</u>
 Total Assets	 <u>\$ 763,550</u>	 <u>\$ 1,083,344</u>	 <u>\$ 1,846,894</u>
 Liabilities and Fund Balance			
Liabilities:			
Accounts Payable	\$ 14,905	\$ 2,123	\$ 17,028
Unearned Revenue	-	411,381	411,381
Total Liabilities	<u>14,905</u>	<u>413,504</u>	<u>428,409</u>
 Fund Balance:			
Restricted	223,776	669,840	893,616
Committed	343,000	-	343,000
Unassigned	181,869	-	181,869
Total Fund Balance	<u>748,645</u>	<u>669,840</u>	<u>1,418,485</u>
 Total Liabilities and Fund Balance	 <u>\$ 763,550</u>	 <u>\$ 1,083,344</u>	 <u>\$ 1,846,894</u>

The accompanying notes are an integral part of this statement.

**NORTHERN SIERRA AIR QUALITY MANAGEMENT DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO
THE STATEMENT OF NET POSITION
JUNE 30, 2016**

Total Fund Balances - Governmental Funds	\$ 1,418,485
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds	139,173
Payables for compensated absences which are not due in the current period are not reported in the funds	(56,065)
Payables for capital assets used in governmental activities are not reported in the funds	
Deferred Outflows of resources in governmental activities are reported as expenditures in the funds	250,083
Deferred Inflows of resources in governmental activities are not reported in the funds	(42,727)
Payables for Pension Benefits which are not due in the current period are not reported in the funds	(925,584)
Payables for Other Post-Employment Benefits which are not due in the current period are not reported in the funds.	<u>(416,993)</u>
Total Net Position - Governmental Activities	<u><u>\$ 366,372</u></u>

The accompanying notes are an integral part of this statement

**NORTHERN SIERRA AIR QUALITY MANAGEMENT DISTRICT
STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2017**

	General Fund	Restricted Fund	Total
Revenue:			
Permits & Fees	\$ 129,747	\$ -	\$ 129,747
Intergovernmental Revenue	755,240	907,368	1,662,608
Interest Income	21,826	127	21,953
Other Income	4,001	-	4,001
Total Revenue	910,814	907,495	1,818,309
Expenditures:			
Air Quality Management			
Salaries	371,145	-	371,145
Benefits	195,860	-	195,860
Air Monitoring	11,509		11,509
H & S Mitigation	-	105,300	105,300
AB 2776 Grants	-	81,287	81,287
Carl Moyer Diesel	-	247,345	247,345
Timber Program	-	95,000	95,000
EPA Target Grant - Wood St.		273,973	273,973
Professional Fees	30,832	-	30,832
Communications	19,600	-	19,600
Travel	11,251	-	11,251
Office	9,753	-	9,753
Rent and Utilities	33,602	-	33,602
Repairs and Maintenance	7,434	-	7,434
Dues and Subscriptions	4,908	-	4,908
Insurance	16,355	-	16,355
Capital Outlay	39,503	-	39,503
Miscellaneous	18,185	-	18,185
Total Expenditures	769,937	802,905	1,572,842
Revenue Over (Under) Expenditures	140,877	104,590	245,467
Fund Balance, July 1 (As Restated-See Note 12)	607,768	565,250	1,173,018
Fund Balance, June 30	\$ 748,645	\$ 669,840	\$ 1,418,485

The accompanying notes are an integral part of this statement.

**NORTHERN SIERRA AIR QUALITY MANAGEMENT DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUE AND EXPENDITURES
TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2017**

Net Changes in fund balances - total governmental funds	\$ 245,467
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
The depreciation of capital assets used in governmental activities is not reported in the funds.	(32,068)
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(3,075)
Other Post-Employment Benefits are reported as the amount earned in the SOA but as the amount paid in the funds.	(48,453)
Capital Outlays are not reported as expenses in the SOA	39,503
Pension Expenditures used in governmental activities are not reported in the funds	(57,387)
Changes in net position of governmental activities - statement of activities	\$ 143,987

The accompanying notes are an integral part of this statement

**NORTHERN SEIRRA AIR QUALITY MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Northern Sierra Air Quality Management District (District) was founded on November 20, 1986 by an agreement between Nevada, Plumas and Sierra Counties and their corresponding Air Pollution Control Districts under provisions of Chapter 3 Part 3 Division 26 of the California Health and Safety Code. The District is responsible for attaining and maintaining the federal and state ambient air quality standards, and is therefore engaged in activities such as air monitoring, planning, enforcement, permitting, public education, and complaint investigation. Substantial funding for the District is from County established surcharges on vehicle registrations. These monies are collected by the California Department of Motor Vehicles and subsequently remitted to the District. Other sources of revenues include state subvention funding and fees from various permits, fines, and County general fund contributions. Over 50% of the District's revenue originates from or passes through departments of the State of California.

The District accounts for its financial transactions in accordance with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

1. Reporting Entity

The District's combined financial statements include the accounts of all its operations. The District evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the District's reporting entity, as set forth in GASB Statement No. 14 "The Financial Reporting Entity" and GASB Statement No. 39 "Determining Whether Certain Organizations Are Component Units," include whether:

- The organization is legally separate (can sue and be sued in its name)
- The District holds the corporate powers of the organization
- The District appoints a voting majority of the organization's board
- The District is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the District
- There is fiscal dependency by the organization on the District
- The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government
- The primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization
- The economic resources received or held by an individual organization that the specific primary government is entitled to, or has the ability to otherwise access, are significant to that primary government

Based on these criteria, the District has no component units. Additionally, the District is not a component unit of any other reporting entity as defined by the GASB Statement.

**NORTHERN SEIRRA AIR QUALITY MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

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. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

The District reports the following major governmental funds:

General Fund: This is the District's primary operating fund. It accounts for all financial resources of the district except those required to be accounted for in another fund.

Restricted Fund: This is the program fund of the District. It represents resources restricted to support of District air quality improvement and monitoring grants funded by AB 2766, Carl Moyer, Wood Stove Replacement Project, EPA PM2.5 Grant, and other government funding programs.

b. Measurement Focus, Basis of Accounting

Government-wide Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include county assessments, grants, entitlements, and

**NORTHERN SEIRRA AIR QUALITY MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: 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 all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Investment earnings are recorded as earned, since they are both measurable and available. Revenue from permits is not considered measurable until they are received and are recognized as revenue at that time because the renewal amount is based partially on actual emissions for the preceding period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the District incurs an expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

3. Assets, Liabilities, and Equity

a. Deposits & Investments

Cash is composed of the following amounts as of June 30, 2017:

	Restricted	Unrestricted	Total
Cash on hand and in banks	\$ -	\$ 104,719	\$ 104,719
Cash in Nevada County Treasury	975,213	573,531	1,548,744
Total Cash and Investments	<u>\$ 975,213</u>	<u>\$ 678,250</u>	<u>\$ 1,653,463</u>

Cash balances held in banks are insured to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institutions is fully insured or collateralized.

**NORTHERN SEIRRA AIR QUALITY MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

Nearly all cash at June 30, 2017 is pooled for investment purposes and held by Nevada County. Interest is apportioned quarterly to the District based on the average daily balances on deposit 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. The investments made by the Treasurer are regulated by the California Government Code and by the County's investment policy, however, the County's investment pool is not rated by a nationally recognized rating agency. By limiting its investments to the Nevada County Treasurers' investment pool, managed in accordance with the California Government Code, the District minimizes its exposure to custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk.

Cash deposits are reported at carrying value which reasonably estimates fair value.

b. Capital Assets

Purchased or constricted capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$1,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Vehicles	5
Office Equipment	7
Field Equipment	5-7

Gain or loss is recognized when assets are retired from service or are otherwise disposed.

c. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

**NORTHERN SEIRRA AIR QUALITY MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

d. 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(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the District has only one item that qualify for reporting in this category, deferred amounts from District pension contributions.

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(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item that qualifies for reporting in this category, unavailable amounts from the District portion of PERS pension earnings.

e. Compensated Absences

Accrued compensated absences for accumulated unpaid leave that is payable to employees upon termination include 100% of all employees' vacation time and compensated time off earned. In addition, 35% of sick time earned for employees who have been employed by the district for five years are also included. In accordance with GASB 34, this liability is accrued in the Government-Wide financial statements but not on the Governmental Fund financial statements. The current portion of the liabilities is recognized in the General Fund at year end.

f. Budgetary Accounting

The District adopts its budget by July 1st of each year. Supplemental appropriations are adopted throughout the year as necessary.

g. Use of Estimates

The preparation of financial statements in conformity with Accounting Principles Generally Accepted in the United States of America requires the use of management's estimates. Actual results could differ from those estimates.

**NORTHERN SEIRRA AIR QUALITY MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

h. Components of Net Position

For Government-Wide Financial Statements, equity is classified in three components as follows:

Net Investment in Capital Assets consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of debt borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position consists of net assets with restrictions placed on the use either by external groups such as contributors, grantors or regulations of other governments, or law through constitutional provisions or enabling legislation.

Unrestricted Net Position consists of all other net assets that do not meet the definition of “restricted” or “net investment in capital assets.”

When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, then unrestricted resources as they are needed.

The District can assign balances for specific future uses; however, these assignments are not disclosed on the Statement of Net Position.

i. Equity Classifications

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance – represents amounts that cannot be spend because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance – represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance – represents amounts that can only be used for a specific purpose because of a formal action by the District’s governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

**NORTHERN SEIRRA AIR QUALITY MANAGEMENT DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2017**

Assigned Fund Balance – represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debts service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund’s primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District.

Unassigned Fund Balance – represents amounts which are unconstrained in that they may be spend for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

k. Subsequent Event Evaluation

Management has evaluated subsequent events through March 21, 2018, the date the financial statements were available to be issued.

NOTE 2 – COMPLIANCE AND ACCOUNTABILITY

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

2. Deficit Fund Net Assets of Individual Funds

Following are funds having deficit fund net assets at year end, if any, along with remarks which address such deficits

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None	n/a	n/a

**NORTHERN SEIRRA AIR QUALITY MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 3 – CAPITAL ASSETS

A summary of changes in fixed assets follows:

	Balance <u>06/30/16</u>	<u>Additions</u>	<u>Dispositions</u>	Balance <u>06/30/17</u>
Furniture	\$ 101,975	\$ -	\$ 29,310	\$ 72,665
Equipment	252,312	7,037		259,349
Vehicles	109,159	32,466	39,963	101,662
	<u>463,446</u>	<u>39,503</u>	<u>69,273</u>	<u>433,676</u>
Accumulated Depreciation	<u>(331,708)</u>	<u>(32,068)</u>	<u>(69,273)</u>	<u>(294,503)</u>
Property, Plant and Equipment, Net	<u>\$ 131,738</u>	<u>\$ 7,435</u>	<u>\$ -</u>	<u>\$ 139,173</u>

Depreciation was charged to functions as follows:

Air Quality Management	<u>\$32,068</u>
Total	<u>\$32,068</u>

NOTE 4 – LEASES

Operating Leases

The District is committed under a non-cancelable operating leases for office buildings (in the General Fund). Future minimum operating lease commitments are as follows:

<u>Year ending June 30,</u>	
2018	<u>\$ 2,700</u>

Rent expenditures were \$30,270 for the fiscal year ended June 30, 2017.

**NORTHERN SEIRRA AIR QUALITY MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 5 – LONG TERM DEBT

Long Term Debt is summarized as follows:

	<u>Balance</u> <u>06/30/16</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>06/30/17</u>
Other Post Employment Benefits	\$ 368,540	\$ 48,453	-	\$ 416,993
Compensated Absences	52,936	3,129		56,065
Net Pension Liability	751,272	174,312		925,584
Total Debt Payable	<u>\$ 1,172,748</u>	<u>\$ 225,894</u>	<u>\$ -</u>	<u>1,398,642</u>
Less Current Portion				(56,065)
Long Term Portion of Debt Payable				<u>\$ 1,342,577</u>

NOTE 6 – EXCESS OF EXPENSES OVER APPROPRIATIONS

<u>Appropriations Category</u>	<u>Amount</u>
General Fund:	
Benefits	\$ 19,866
Travel	\$ 2,751
Communications	\$ 1,600
Repairs and Maintenance	\$ 3,934
Office	\$ 4,753
Dues and Subscriptions	\$ 1,458
Insurance	\$ 8,355
Miscellaneous	\$ 9,965

- Benefits exceeded budget due to an increase in funding for postemployment benefits other than pension benefits.
- Travel exceeded budget due to conference travel.
- Communications exceeded budget due to unplanned expenditures for website improvements.
- Repairs and maintenance exceeded budget due to unexpected vehicle maintenance.
- Office exceeded budget due to purchases of copier supplies.
- Dues and subscriptions exceeded budget due to CAPCOA dues.
- Insurance exceeded budget due to two premiums to SDRMA.
- Miscellaneous exceeded budget due to an adjustment to cash.

**NORTHERN SEIRRA AIR QUALITY MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7 – COMMITMENTS AND CONTINGENCIES

Litigation

The District is not currently involved in litigation. In the opinion of management and legal council, the disposition of all litigation pending will not have a material effect on the financial statements.

State and Federal Allowances, Awards, and Grants

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

NOTE 8 – RISK MANAGEMENT AND LITIGATION

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and customers; and natural disasters. The District has managed these risks by obtaining coverage from commercial insurance companies as well as providing employee education and prevention programs. All risk management activities are accounted for in the General Fund. Expenses and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported are considered.

The District's attorney estimates that the amount of actual or potential claims against the District as of June 30, 2017 will not materially affect the financial condition of the District. Therefore, the funds contain no provision for estimated claims. Information relating to an analysis of claims activities for the year was not available.

NOTE 9 – PENSION PLAN

Plan Description

The District, as the employer, participates in the cost-sharing, multiple-employer defined benefit pension plan administered by the California Public employees' Retirement System (CalPERS). The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members, and beneficiaries. A full description of the pension plan benefit provisions and assumptions for funding purposes can be obtained in Appendix B of the June 30, 2013 CalPERS actuarial evaluation report available at <https://www.calpers.ca.gov/page/forms-publications>.

**NORTHERN SEIRRA AIR QUALITY MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

Contributions

The contribution requirements of the Plan are established by Section 20814(c) of the California Public Employees' Retirement Law, which requires that 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. For the measurement period ended June 30, 2017 the active employee contribution rate was 7% of annual pay, and the District's contribution rate was 9.353%. Contributions to the pension plan from the District were \$88,034 for the year ended June 30, 2017, \$19,955 of additional contributions were made by employees.

Pension Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions

At June 30, 2017, the District reported a net pension liability of \$925,984 for its proportionate share of the total net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The District's proportion of the net pension liability was based on the District's contributions received by the pension plan relative to the total contributions received by the pension plan for all participating employers as of June 30, 2017. Based upon this information, the District's proportion was .02416%.

For the year ended June 30, 2017, the District recognized pension expense of \$57,387. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**NORTHERN SEIRRA AIR QUALITY MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ 2,243	\$ -
Changes of Assumptions	-	(27,531)
Net Difference between Projected and Actual Earnings on Pension Plan Investments	143,287	
Differences between Actual and Proportionate Share of Contributions	6,308	(15,197)
Adjustment due to Differences in Proportions	10,210	
District Contributions Subsequent to the Measurement Date	88,034	
Total	<u>\$ 250,082</u>	<u>\$ (42,728)</u>

\$88,034 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Period Ended June 30,	<u>Deferred Outflows/(Inflows) of resources</u>
2018	8,585
2019	10,594
2020	63,030
2021	37,113
Total	<u>\$ 119,322</u>

**NORTHERN SEIRRA AIR QUALITY MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Discount Rate:	7.65%
Inflation:	2.75%
Salary Increases:	Varies by Entry Age and Service
Investment Rate of Return:	7.50% net of Pension Plan Investment and Administrative Expenses
Mortality Rate Table:	Derived using CalPERS Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

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

Asset Class	New Strategic Allocation	Real Return Years 1-10 ¹	Real Return years 11 + ²
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00	0.99	2.43
Inflation Sensitive	6.00	0.45	3.36
Private Equity	12.00	6.83	6.95
Real Estate	11.00	4.50	5.13
Infrastructure and Forestland	3.00	4.50	5.09
Liquidity	2.00	(0.55)	(1.05)

¹An expected inflation of 2.5% used for this period

²An expected inflation of 3.0% used for this period

**NORTHERN SEIRRA AIR QUALITY MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

Discount Rate

The discount rate used to measure the total pension liability was 7.65%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65% is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at the CalPERS' website under the GASB 68 section.

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

The following presents the net pension liability/(asset) of the Plan as of the measurement date using the discount rate of 7.50%, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage-point lower (6.50%) or 1 percentage point higher (8.50%) than the current rate:

	Discount Rate - 1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate + 1% (8.65%)
Plan's Net Pension Liability/(Asset)	\$ 1,393,885	\$ 925,584	\$ 538,557

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of CalPERS which can be located at <https://www.calpers.ca.gov/page/forms-publications>.

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

The District provides certain postretirement healthcare benefits, as established by board policy, to eligible employees through a single-employer plan governed by the Public Employees' medical & Hospital Care Act (PEMHCA) and administered by the District. Employees are eligible for this benefits after attaining the age of 55 with at least 10 years of service to the District. Benefits are provided by CalPERS in exchange for premiums paid by the District up to \$9,600 per year. Employees hired after July 1, 2014 are not eligible for District paid premiums. The plan does not issue a stand alone report.

**NORTHERN SEIRRA AIR QUALITY MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

At the time of the valuation, the District had three retirees.

All contracts with District employees will be renegotiated periodically in the future, thus costs and benefits are subject to change. Benefits and contribution requirements for the OPEB plan are established by various labor agreements.

Funding Policy

The District currently pays for post employment healthcare benefits on a pay-as-you-go basis. The District has not set aside any funds to accumulate assets for future retiree obligations. Due to the requirements of GASB No. 45, assets intended to fund future obligations are not considered to offset the unfunded benefit obligation until the assets are transferred to an irrevocable trust designed to pay for future OPEB obligations.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefits costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Significant actuarial methods and assumptions are as follows:

Plan Type	Single Employer
Actuarial Valuation Date	07/01/2015
Amortized Cost Method	Entry Age Normal Cost
Amortization Method	Level Percent of Pay
Remaining Amortization Period	24 Years
Actuarial Assumptions:	
Discount Rate	4.00%
Projected Salary Increases	5.00%
Healthcare Inflation Rate	0.00%

**NORTHERN SEIRRA AIR QUALITY MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

Annual OPEB cost and Net OPEB Obligations

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

<u>Description</u>	<u>June 30, 2017</u>
Normal Cost (service cost for one year)	\$ 24,463
Amortization of Unfunded Actuarial Accrued Liability	47,663
Interest on Normal Cost and Amortization	-
Annual Required Contribution (ARC)	72,126
Interest on Net OPEB Obligation	-
Adjustment to Annual Required Contribution	-
Annual OPEB Cost (expense)	72,126
Contribution toward the OPEB Cost	(23,673)
Increase (Decrease) in Net OPEB Obligation	48,453
Net OPEB Obligation, Beginning of the Year	368,540
Net OPEB Obligation, End of the Year	<u>\$ 416,993</u>

Funding Status and Funding Progress

The required schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Valuation Date	Value of Assets (a)	Liability (AAL) (b)	AAL (UAAL) b - a	Funded Ratio a/b	Covered Payroll (c)	Percentage of Covered Payroll ((b - a)/c)
6/30/2015	-	759,351	759,351	0%	347,076	218.8%
6/30/2016		824,195	824,195	0%	404,096	204.0%
6/30/2017		824,195	824,195	0%	390,896	215.5%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events in the future. Examples include assumptions about future employment and termination, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

**NORTHERN SEIRRA AIR QUALITY MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 11 – COMMITTED FUND BALANCE

As of June 30, 2017, the District through action by its board of Directors has internally committed portions of the unrestricted fund balance as follows:

Detail of Committed Fund Balance	
Other Post-Employment Benefits	\$ 100,000
Equipment Replacements / Depreciation	102,000
Leave Liability	56,000
Air Monitoring Program	80,000
Public Education Program	5,000
Total	\$ 343,000

NOTE 12 – RESTATEMENT OF JUNE 30, 2016 FUND BALANCE AND NET POSITION

The District adjusted certain accounts to correct balances from prior years for prepaid expense, accounts receivable and accounts payable. This adjustment has been treated as a restatement of beginning fund balance and net position and is summarized below:

	Fund Balance	Net Position
Balance - June 30, 2016 per Audit	\$ 1,211,728	\$ 261,095
Restatement	(38,710)	(38,710)
Balance- As Restated	\$ 1,173,018	\$ 222,385

NOTE 13 – RELATED PARTY TRANSACTIONS

The District's Board is made up of members of the Board of Supervisors of Nevada, Plumas, and Sierra Counties. During the fiscal year ended June 30, 2017, Nevada County contributed \$47,407, Plumas County contributed \$9,603, and Sierra County contributed \$1,555 to support the District's operations.

NOTE 14 – JOINT POWERS AGREEMENT

The District participates in one joint venture under joint powers agreements (JPA's) with the Special District Risk Management Authority (SDRMA), a public entity risk pool established to provide health, liability, property, and workers' compensation insurance to its members. The boards control the operations of the JPA's including the selection of management and approval of the operating budget, independent of any influence by the member districts beyond their representation on the boards.

**REQUIRED SUPPLEMENTARY
INFORMATION**

**NORTHERN SIERRA AIR QUALITY MANAGEMENT DISTRICT
GENERAL FUND BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget Positive / (Negative)
	Original Budget	Final Budget		
Revenue:				
Permits & Fees	\$ 174,000	\$ 174,000	\$ 129,747	\$ (44,253)
Intergovernmental Revenue	677,165	677,165	755,240	78,075
Interest Income	3,500	3,500	21,826	18,326
Other Income	1,600	1,600	4,001	2,401
Total Revenue	<u>856,265</u>	<u>856,265</u>	<u>910,814</u>	<u>54,549</u>
Expenditures:				
Air Quality Management				
Salaries	388,694	388,694	371,145	17,549
Benefits	175,994	175,994	195,860	(19,866)
Air Monitoring	15,000	15,000	11,509	3,491
Professional Fees	33,000	33,000	30,832	2,168
Communications	18,000	18,000	19,600	(1,600)
Travel	8,500	8,500	11,251	(2,751)
Office	5,000	5,000	9,753	(4,753)
Rent and Utilities	35,540	35,540	33,602	1,938
Repairs and Maintenance	3,500	3,500	7,434	(3,934)
Dues and Subscriptions	3,450	3,450	4,908	(1,458)
Insurance	8,000	8,000	16,355	(8,355)
Capital Outlay	44,000	44,000	39,503	4,497
Miscellaneous	8,220	8,220	18,185	(9,965)
Total Expenditures	<u>746,898</u>	<u>746,898</u>	<u>769,937</u>	<u>(23,039)</u>
Revenue Over (Under) Expenditures	<u>\$ 109,367</u>	<u>\$ 109,367</u>	140,877	<u>\$ 77,588</u>
Fund Balance, July 1			<u>607,768</u>	
Fund Balance, June 30			<u>\$ 748,645</u>	

**NORTHERN SIERRA AIR QUALITY MANAGEMENT DISTRICT
RESTRICTED FUND BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget Positive / (Negative)
	Original Budget	Final Budget		
Revenue:				
Intergovernmental Revenue	\$ 828,275	\$ 828,275	\$ 907,368	\$ 79,093
Interest Income	4,299	4,299	127	(4,172)
Total Revenue	832,574	832,574	907,495	74,921
Expenditures:				
Air Quality Management				
H & S Mitigation			105,300	(105,300)
AB 2776 Grants	451,092	210,510	81,287	129,223
Carl Moyer Diesel	250,281	250,281	247,345	2,936
Timber Program	19,989	19,989	95,000	(75,011)
AB 923	115,962	115,962	-	115,962
EPA Target Grant- Woodstove	398,400	398,400	273,973	124,427
Miscellaneous	5,500	5,500	-	5,500
Total Expenditures	1,241,224	1,000,642	802,905	197,737
Revenue Over (Under) Expenditures	\$ (408,650)	\$ (168,068)	104,590	\$ (122,816)
Fund Balance, July 1			565,250	
Fund Balance, June 30			\$ 669,840	

**SCHEDULE OF THE NORTHERN SIERRA AIR QUALITY MANAGEMENT'S
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM**

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's Proportion of the Net Pension Liability/(As:	0.026640%	0.024315%	0.01162%
Districts Proportionate Share of the Net Pension Liability (Asset)	\$ 925,584	\$ 751,272	\$ 722,829
District's Covered-Employee Payroll	\$ 390,896	\$ 369,089	\$ 396,315
District's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Employee Payroll	236.79%	203.55%	182.39%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's total Net Pension Liability	75.87%	78.00%	76.79%
Plan's Proportionate Share of Aggregate Employer Contributions	\$ 84,594	\$ 77,441	\$ 64,684

Notes to Schedule:

Only the three fiscal years are presented because 10-year data is not yet available.

**NORTHERN SIERRA AIR QUALITY MANAGEMENT'S
SCHEDULE OF DISTRICT CONTRIBUTIONS
CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM**

	<u>Fiscal Year 2016-17</u>	<u>Fiscal Year 2015-16</u>	<u>Fiscal Year 2014-15</u>
Actuarially Determined Contribution	\$ 95,065	\$ 60,900	\$ 65,837
Contributions in Relation to the Actuarially Determined Contribution	<u>\$ (88,034)</u>	<u>(84,594)</u>	<u>\$ (77,441)</u>
Contribution Deficiency (Excess)	<u>\$ 7,031</u>	<u>\$ (23,694)</u>	<u>\$ (11,604)</u>
 Covered Employee Payroll	 \$ 390,896	 \$ 369,089	 \$ 396,315
Contributions as a Percentage of Covered-employee Payroll	22.52%	22.92%	19.54%

Notes to Schedule:

Only the three fiscal years are presented because 10-year data is not yet available.

OTHER SUPPLEMENTARY INFORMATION

**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***

Board of Directors
Northern Sierra Air Quality Management District
Grass Valley CA, 95945

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major funds of the Northern Sierra Air Quality Management District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 21, 2018.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal controls that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of 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. We found no deficiencies that we considered to be material weaknesses.

Susanville:

1740 Main Street, Suite A, Susanville, CA 96130
530.257.1040 Fax: 530.257.8876

sa@sa-cpas.com
www.sa-cpas.com

Chester:

PO Box 795, Chester, CA 96020
530.258.2272 Fax: 530.258.2282

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. We consider the deficiencies described in the accompany schedule of findings and questioned costs to be significant deficiencies. See findings 2017-1 and 2017-2.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether District's financial statements are free of 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 that are required to be reported under *Government Auditing Standards*.

District's Response to Findings

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. 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 the Report

This 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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully Submitted,



Singleton Auman PC

Susanville, CA

March 21, 2018

**NORTHERN SIERRA AIR QUALITY MANAGEMENT DISTRICT
COMBINED SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2017**

EXECUTIVE SUMMARY

The Northern Sierra Air Quality Management District (District) was founded on November 20, 1986 by an agreement between Nevada, Plumas and Sierra Counties and their corresponding Air Pollution Control Districts under provisions of Chapter 3 Part 3 Division 26 of the California Health and Safety Code. The District is responsible for attaining and maintaining the federal and state ambient air quality standards, and is therefore engaged in activities such as air monitoring, planning, enforcement, permitting, public education, and complaint investigation.

The quality of the District's internal controls is highly dependent upon involvement in the day to day operations by the District employees. Also, due to the limited number of employees of the District, there is an inability to segregate the custody of and accountability for District assets in the manner generally required for model systems of internal accounting controls. A summary of the auditors' results follows:

1. **Type of Auditors' Report on Financial Statements:** Unmodified
2. **Internal Control Findings:** 2 Significant Deficiencies
3. **Material Noncompliance Noted:** None.

**NORTHERN SIERRA AIR QUALITY MANAGEMENT DISTRICT
COMBINED SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2017**

**YELLOW BOOK SECTION
Internal Control – Significant Deficiency**

Finding 2017-1: Financial Statement Preparation

Criteria upon which audit finding is based (Legal Citation):

In accordance with Statement on Auditing Standards No. 122 (SAS 122), the District is responsible for preparing complete and accurate financial statements, footnote disclosures, and management's discussion and analysis in accordance with Generally Accepted Accounting Principles (GAAP).

Finding (Condition):

The District does not have policies and procedures in place to ensure that complete and accurate financial statements, footnote disclosures, and management's discussion and analysis are prepared in accordance with GAAP prior to the annual audit. Management relies heavily upon the auditor to recommend footnote disclosures for the financial statements and to prepare adjusting journal entries for approval in order to report financial information in accordance with GAAP.

Amount of Questioned Cost, How Computed and Prevalence:

None

Effect:

There is a risk that a financial statement misstatement may exist and not be prevented or detected by the District's system of internal control.

Cause:

This condition has always existed at the District, and is being reported in accordance with SAS 122.

Recommendation:

We recommend that the District hire a professional in governmental accounting on an ongoing basis, to assist in the preparation of accounting records that are accurate and in accordance with Governmental GAAP.

District's Response:

The Executive Director hired a part-time accountant (a professional in governmental accounting) on an on-going basis, to assist in the preparation of accounting records that are accurate and in accordance with Governmental GAAP.

**NORTHERN SIERRA AIR QUALITY MANAGEMENT DISTRICT
COMBINED SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2017**

**YELLOW BOOK SECTION
Internal Control – Significant Deficiency**

Finding 2017-2: Lack of Segregation of Duties

Criteria upon which audit finding is based (Legal Citation):

Yellow Book paragraphs 5.11 – 5.15 and Appendix I, SAS No. 122.

Finding (Condition):

An inadequate segregation of duties exists.

Amount of Questioned Cost, How Computed and Prevalence:

None.

Effect:

The Northern Sierra Air Quality Management District has exposure to risk of financial statement misstatement and the potential risk for fraud.

Cause:

Due to the number of personnel assigned to duties that involve access to the general ledger and other accounting records and who also have custody of and responsibility for handling cash and other assets, an inadequate segregation of duties exists.

Recommendation:

We recommend that the Northern Sierra Air Quality Management District hire a professional that is proficient in Governmental Accounting to review transactions, bank reconciliations and journals. This individual should report to the board and might serve in a Treasurer capacity.

The control system should be designed so that one person cannot do any two of the following:

- 1) Record transactions to the general ledger
- 2) Have custody of cash (sign checks).
- 3) Authorize transactions.

District's Response:

The Executive Director has hired a part-time accountant (a professional in governmental accounting) to review transactions, bank reconciliations and journals. The part-time accountant prepares quarterly and annual reports to the Board, records transactions to the general ledger and does not have custody of cash or authorize transactions. No other employee records transactions to the general ledger. The Executive Director and Deputy Director authorize transactions, but do not record transactions to the general ledger or have the ability to sign checks. The County Auditor signs checks and has no other responsibilities.

**NORTHERN SIERRA AIR QUALITY MANAGEMENT DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
(FINDINGS FROM THE JUNE 30, 2016 AUDIT REPORT)
JUNE 30, 2017**

Finding 2016-1

The District does not have policies and procedures in place to ensure that complete and accurate financial statements, and footnote disclosures prepared in accordance with GAAP prior to the annual audit. Management relies upon the auditor to recommend footnote disclosures for the financial statements and to prepare adjusting journal entries for approval in order to report financial information in accordance with GAAP.

Status

Partially Implemented See current year finding 2017-1.

Finding 2016-2

Due to the number of personnel assigned to duties that involve access to the general ledger and other accounting records and who also have custody of and responsibility for handling cash and other assets, an inadequate segregation of duties exists.

Status

Partially implemented. See current year finding 2017-2

**NORTHERN SIERRA AIR QUALITY MANAGEMENT DISTRICT
CORRECTIVE ACTION PLAN
JUNE 30, 2017**

Person Monitoring Corrective Action Plan

Gretchen Bennett, Air Pollution Control Officer

Finding 2017-1: Financial Statement Preparation

Finding (Condition)

The District does not have policies and procedures in place to ensure that complete and accurate financial statements, footnote disclosures, and management's discussion and analysis are prepared in accordance with GAAP prior to the annual audit. Management relies heavily upon the auditor to recommend footnote disclosures for the financial statements and to prepare adjusting journal entries for approval in order to report financial information in accordance with GAAP.

Corrective Action Planned

SingletonAuman recommended that the Air District hire a professional in governmental accounting on an ongoing basis, to assist in the preparation of accounting records that are accurate and in accordance with Governmental GAAP.

The Executive Director has recommended to the Board of Director's to hire a part-time accountant on an ongoing basis. The Board will consider this at the next Board of Director's meeting. Additionally, the Executive Director has been working with SingletonAuman to ascertain specific professional requirements needed for the hiring of the recommended governmental accounting official.

Expected Completion Date

Ongoing.

Finding 2017-2: Lack of Segregation of Duties

Finding (Condition)

Due to the number of employees an inadequate segregation of duties exists.

Corrective Action Planned

SingletonAuman recommended that the Air District hire a professional in governmental accounting to review transactions, bank reconciliations, and journals.

The Executive Director has recommended to the Board of Director's to hire a part-time accountant on an ongoing basis. The Board will consider this at the next Board of Director's meeting. Additionally, the Executive Director has been working with Singleton Auman to ascertain specific professional requirements needed for the hiring of the recommended governmental accounting official.

Expected Completion Date

Ongoing.