

**PENN VALLEY FIRE PROTECTION DISTRICT
FINANCIAL STATEMENTS
JUNE 30, 2016**

PENN VALLEY FIRE PROTECTION DISTRICT
JUNE 30, 2016
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INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Directors
Penn Valley Fire Protection District
Penn Valley, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Penn Valley Fire Protection District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Penn Valley Fire Protection District, as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America and the California State Controller's Minimum Audit Requirements and Reporting Guidelines for Special Districts.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-6 and 26-28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 June 6, 2017, on our consideration of Penn Valley Fire Protection 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 Penn Valley Fire Protection District's internal control over financial reporting and compliance.



Jensen Smith
Certified Public Accountants, Inc.
Lincoln, California
June 6, 2017

**PENN VALLEY FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

Under management of the Penn Valley Fire Protection District ("District"), this discussion and analysis of the financial performance of the District offers readers an overview of the District's financial activities for the fiscal year ended June 30, 2016 based on currently known facts, decisions or conditions.

Financial Highlights

- The financial statements included in this report provide insight into the financial status for the year.
- The capital assets of the District's governmental activities at the end of the year were \$2,384,900, net of accumulated depreciation in the amount of \$3,354,826 (page 7).
- During the year, total expenses for District governmental activities were \$2,393,798, \$142,939 more than the \$2,250,859 the District generated in tax and other revenues received during the same period (page 8).
- In the District's General Fund activities, revenues were \$2,091,577, while expenditures were \$2,123,586 (page 10).
- In the District's Building and Equipment Fund activities, revenues were \$120,797, while expenditures were \$43,668 (page 10).
- In the District's Impact/Special Revenue Fund activities, revenues were \$24,956, while expenditures were \$995 (page 10).

Using this Annual Report - Overview of the Financial Statements

This report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (Pages 7 & 8) provide information about the financial activities of the District as a whole and a longer view of the District's finances.

The Balance Sheet - Governmental Funds (page 9) and the Statement of Revenues, Expenditures and Changes in Fund Balances (page 10) illustrate how the governmental type activities were financed in the short term, as well as what remains for future spending. These financial statements also report the District's operations in more detail than government-wide statements by providing information about the District's individual funds.

Government-wide Financial Statements

The analysis of the District as a whole begins on page 7. The government-wide financial statements, consisting of the Statement of Net Position and the Statement of Activities, are designed to provide readers with a broad overview of the District as a whole and about its activities for the current period. They include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting methods used in the private sector. In this method, all of the current year's revenues and expenses are taken into account regardless of when cash is paid or received.

The Statement of Net Position reports the difference between all of the District's assets and liabilities, and the Statement of Activities reports on the changes in net position during the fiscal year. Examining the net position is an effective way to measure the District's financial health or position, with increases or decreases in net position an indicator of whether the District's financial position is improving or deteriorating.

Both of these statements report only governmental-type activities (including cash, receivables, capital assets, accounts payables, compensated absences and long-term liabilities).

Fund Financial Statements

The District's fund financial statements begin on page 9 and provide detailed information about the District's three funds, not the District as a whole. These funds include: Operating (General), Building & Equipment, and Impact (Special Revenue).

The District's services are reported in three funds, all of which are governmental, to help control and manage the financial activities for particular purposes. Those purposes are comprised of General Operating, Capital Replacement and AB1600 Development Fees. These governmental funds focus on how money flows into and out of those funds and the balances left at period end that are available for spending. The funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental funds statements provide a detailed short-term view of the District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer resources that can be spent in the near future. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in reconciliations following the fund financial statements (pages 11 and 12).

Financial Analysis

The District as a Whole – Government-wide Financials

- The District's total assets and deferred outflows, including capital assets net of accumulated depreciation of \$2,384,900 were \$ 4,005,958 at fiscal year end. This is a decrease of \$105,532 from the previous year.
- The District's total liabilities at fiscal year end were \$667,720. This is a decrease of \$101,753 from the previous year.
- The District's deferred inflows from pensions were \$247,778. This is an increase of \$27,583 from the previous year.
- The assets and deferred outflows of the District exceeded its liabilities and deferred outflows at the close of this period by \$3,090,460 (net position). Of this amount, \$582,838 (unrestricted net position) may be used to meet the District's on-going obligations to its creditors (page 7).
- The District's total net position at fiscal year end was \$3,090,460. This is a decrease of \$31,362 from the previous year.
- Total revenues for the fiscal year 2015/2016 were \$2,250,859 (\$447,765 program revenues and \$1,803,094 general revenues). This is an increase of \$154,747 from the previous year.
- Total expenses were \$2,282,221, an increase of \$172,436 from the previous year.

The District's Funds - Governmental Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, the unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As the District completed the year, its government funds reported a combined ending fund balance of \$1,359,563 (page 9).

The general fund is the chief operating fund of the District. At the end of the twelve-month period ended June 30, 2016, the unassigned balance of the general fund was \$846,330. This amount constitutes a balance that is available for spending at the District's discretion. The remainder of the fund balance (committed and restricted) is not necessarily available for new spending because it has already been either committed by the District or restricted by regulation to specific expenditures. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures.

Fund Financial Highlights

Income:

In the General Fund, we experienced an increase in total income of \$79,074 from the previous fiscal year due to significant increases in ambulance and rescue special assessments revenue, ambulance revenue, and state fire reimbursements.

In the General Fund, we experienced a 5% (\$16,842) increase in property tax income.

We experienced a \$1,989 decrease in income from ambulance service fees.

In the Building and Equipment Fund, our income increased by \$8,278 from the previous fiscal year due to increased funding from grants.

In the Fire Facility Fee Account (Impact), our income increased by \$4,885.

Expenses:

In personnel costs, the District spent \$251,755 more than the previous year.

Fuel costs have decreased, down \$2,912 from the previous year.

There was a decrease in expenditures in our Building and Equipment Fund of \$1,293.

The Impact Fund expenditures decreased by \$2,404.

Capital Assets and Long-Term Debt Activity

Capital Assets

At the end of the fiscal year, the District had a net amount of \$2,384,900 invested in capital assets, including buildings, furniture, fire-fighting equipment, and vehicles, after accumulated depreciation in the amount of \$3,102,695. This year, there were additions to capital assets of \$55,767. More detailed information about the District's capital assets is presented in Note 4 of the financial statements.

Long-Term Debt

At fiscal year end, the District had a balance outstanding of \$119,819 on a note payable to the U.S. Department of Agriculture. The debt was incurred to replace funds expended in 2010-2011 for the purchase of a new engine in 2009-2010.

Budget

The District adopts a preliminary budget each year by June 30 per California Health and Safety Code Section 13890. The final budget is adopted by October 1.

Variance between budget and actual figures are detailed on pages 26-28.

Economic Factors and Next Year's Budget

We anticipate Impact Fees will continue to slowly increase as the housing market continues to recover from the most recent economic downturn.

Requests for Information

This financial report is designed to provide a general overview of the Penn Valley Fire Protection District's finances for all those with an interest in the government's finances and to show the District's accountability for the money it receives. Questions concerning any of the information provided in this report or request for additional information should be addressed to the Fire Chief or the Office Manager, Penn Valley Fire Protection District, P.O. Box 180, Penn Valley, CA 95946.

PENN VALLEY FIRE PROTECTION DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2016

ASSETS AND DEFERRED OUTFLOWS

Current Assets:

Cash and Cash Equivalents	\$ 1,419,761
Ambulance Accounts Receivable, less allowance for doubtful accounts of \$90,842	84,537
Refundable Deposit	5,183
Total Current Assets	1,509,481

Non-Current Assets and Deferred Outflows:

Capital Assets, net of accumulated depreciation of \$3,354,826	2,384,900
Deferred Outflows from Pensions	111,577
Total Non-Current Assets	2,496,477

Total Assets and Deferred Outflows	4,005,958
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LIABILITIES, DEFERRED INFLOWS, AND NET POSITION

Current Liabilities:

Accounts Payable	16,137
Wages and Benefits Payable	65,463
Current Portion of USDA Note Payable	24,473
Total Current Liabilities	106,073

Non-Current Liabilities:

Compensated Absences Payable	33,545
USDA Note Payable	95,346
Net Pension Liability	432,756
Total Non-Current Liabilities	561,647

Total Liabilities	667,720
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DEFERRED INFLOWS OF RESOURCES

Deferred Inflows from Pensions	247,778
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NET POSITION

Invested in Capital Assets	2,384,900
Restricted	122,722
Unrestricted	582,838
Total Net Position	\$ 3,090,460

See accompanying notes.

**PENN VALLEY FIRE PROTECTION DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net Revenue and Change in Net Position</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants & Contributions</u>	<u>Primary Government</u>
			<u>Governmental Activities</u>	
Primary Government:				
Governmental Activities:				
General Fund	\$ 2,025,115	\$ 324,215	\$ 4,769	\$ (1,696,131)
Depreciation	252,131	-	-	(252,131)
Special Revenue	995	-	-	(995)
Building and Equipment	3,980	-	118,781	114,801
Total Governmental Activities	<u>\$ 2,282,221</u>	<u>\$ 324,215</u>	<u>\$ 123,550</u>	<u>(1,834,456)</u>
General Revenues				
Property Taxes				350,721
Special Assessments- Fire				486,403
Special Assessments- Rescue				720,693
Development Fees				24,169
Proposition 172				94,158
Homeowners' Property Tax Relief (HOPTR)				3,412
Fire Reimbursements				95,470
Other Sources				18,573
Interest				9,495
Total General Revenues				<u>1,803,094</u>
Change in Net Position				(31,362)
Net Position				
Beginning of the Year, as Previously Reported				3,121,822
End of the Year				<u>\$ 3,090,460</u>

See accompanying notes.

**PENN VALLEY FIRE PROTECTION DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016**

	<u>GOVERNMENTAL FUND TYPES</u>			Total Governmental Funds
	<u>General</u>	<u>Building & Equipment</u>	<u>Special Revenue</u>	
<u>Assets</u>				
Cash and Cash Equivalents	\$ 1,023,629	\$ 278,593	\$ 117,539	\$ 1,419,761
Ambulance Accounts Receivable	16,219	-	-	16,219
Refundable Deposit	-	-	5,183	5,183
Total Assets	<u>\$ 1,039,848</u>	<u>\$ 278,593</u>	<u>\$ 122,722</u>	<u>\$ 1,441,163</u>
 <u>Liabilities & Fund Balances</u>				
Liabilities:				
Accounts Payable	\$ 15,555	\$ 582	\$ -	\$ 16,137
Wages Payable	65,463	-	-	65,463
Total Liabilities	<u>81,018</u>	<u>582</u>	<u>-</u>	<u>81,600</u>
Fund Balances:				
Restricted	-	-	122,722	122,722
Committed	112,500	278,011	-	390,511
Unassigned	846,330	-	-	846,330
Total Fund Balances	<u>958,830</u>	<u>278,011</u>	<u>122,722</u>	<u>1,359,563</u>
Total Liabilities & Fund Balances	<u>\$ 1,039,848</u>	<u>\$ 278,593</u>	<u>\$ 122,722</u>	<u>\$ 1,441,163</u>

See accompanying notes.

PENN VALLEY FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016

	GOVERNMENTAL FUND TYPES			Total Governmental Funds
	General	Building & Equipment	Special Revenue	
Revenues:				
Property Taxes	\$ 350,721	\$ -	\$ -	\$ 350,721
Special Assessments-Fire	486,403	-	-	486,403
Special Assessments- Rescue	720,693	-	-	720,693
Ambulance Fees	310,686	-	-	310,686
Development Fees	-	-	24,169	24,169
Proposition 172	94,158	-	-	94,158
HOPTR	3,412	-	-	3,412
Grants	-	16,781	-	16,781
Donations	4,769	102,000	-	106,769
Interest Income	6,692	2,016	787	9,495
Fire Reimbursements	95,470	-	-	95,470
Sale of Fixed Assets	-	-	-	-
Other Sources	18,573	-	-	18,573
Total Revenues	<u>2,091,577</u>	<u>120,797</u>	<u>24,956</u>	<u>2,237,330</u>
Expenditures:				
Current General Governmental:				
Personnel Costs	1,782,984	-	-	1,782,984
Clothing	12,249	-	-	12,249
Communications	61,282	-	-	61,282
Meals & Household	2,992	-	-	2,992
Insurance	11,175	-	-	11,175
Interest Expense	-	3,980	995	4,975
Medical Supplies	40,804	-	-	40,804
Maintenance	66,051	-	-	66,051
Dues & Subscriptions	2,906	-	-	2,906
Office Expense	14,058	-	-	14,058
Professional Fees	55,819	-	-	55,819
Fire Prevention	558	-	-	558
Training	7,044	-	-	7,044
Travel / Per Diem / Spec. Dept.	1,326	-	-	1,326
Fuel	21,158	-	-	21,158
Utilities	36,594	-	-	36,594
Small Equipment	-	-	-	-
Miscellaneous	2,756	-	-	2,756
Equipment & Asset Purchases	3,830	39,688	-	43,518
Total Expenditures	<u>2,123,586</u>	<u>43,668</u>	<u>995</u>	<u>2,168,249</u>
Excess of Revenues Over (Under) Expenditures				
Before Other Financing Sources (Uses)	(32,009)	77,129	23,961	69,081
Other Financing Sources (Uses)				
Payment of Principal	-	(18,858)	(4,715)	(23,573)
Transfers In	-	30,000	-	30,000
Transfers Out	(30,000)	-	-	(30,000)
Total Other Financing Sources (Uses)	<u>(30,000)</u>	<u>11,142</u>	<u>(4,715)</u>	<u>(23,573)</u>
Net Change in Fund Balances	(62,009)	88,271	19,246	45,508
Fund Balance, beginning of year	1,020,839	189,740	103,476	1,314,055
Fund Balance, end of year	<u>\$ 958,830</u>	<u>\$ 278,011</u>	<u>\$ 122,722</u>	<u>\$ 1,359,563</u>

See accompanying notes.

**PENN VALLEY FIRE PROTECTION DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2016**

Total Fund Balances for Governmental Funds	\$ 1,359,563
Total net assets reported for governmental activities in the statement of net assets is different because:	
Capital assets used in the governmental activities are not financial resources and therefore are not reported in the funds.	2,384,900
Receivables received after sixty days after the year end are not considered currently available and therefore are not reported in the governmental fund activities:	
Ambulance Receivables	68,318
Deferred outflows of resources which are not collected within sixty days after fiscal year end are not included in fund assets.	111,577
Long-term liabilities and deferred inflows of resources are not due and payable in the current period, and therefore are not reported in the governmental funds:	
Compensated Absences Payable	(33,545)
USDA Note Payable	(119,819)
Net Pension Liability	(432,756)
Deferred Inflows of Resources	(247,778)
	\$ 3,090,460
Total Net Position of Governmental Activities	\$ 3,090,460

See accompanying notes.

**PENN VALLEY FIRE PROTECTION DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2016**

Net change in fund balances - total governmental funds	\$	45,508
Total change in net assets for governmental activities in the statement of activities is different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is capitalized as fixed assets.		55,767
Governmental funds report the proceeds from long-term notes payable and subsequent principal payments as other financing sources and uses. However, in the statement of activities, they are not reported. Rather, the current balance of long-term notes payable is recorded in the statement of net position.		23,573
Revenues in the statement of activities that do not provide current financial resources within 60 days after year end are not reported as revenues in the funds.		(48,637)
Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore are not reported as expenditures in the governmental funds.		
Change in Compensated Absences		26,387
Depreciation Expense		(252,131)
Deferral of Pension Related Expenses		118,171
		118,171
Change in Net Position of Governmental Activities	\$	(31,362)

See accompanying notes.

PENN VALLEY FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 – NATURE OF THE ORGANIZATION

The District was established in April 1974 to provide fire prevention, suppression and rescue services in the Penn Valley Area of Nevada County, California. Revenues are derived primarily from the fees for services provided for ambulance services, a special assessment on improved parcels within the district and the countywide tax levy. The District also collects fees for construction within the District, which are used to offset the increased capital costs associated with development.

The District is administered by a Board of Directors who is elected by the public. The Board of Directors acts as the authoritative and legislative body of the entity. The Board is comprised of five board members. Of the five, two are nominated and approved by the board to be officers of the District; Chairman, and Vice-Chairman. No board members receive compensation for serving on the Board although they may receive reimbursement for expenses incurred on behalf of the District.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Accounting

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on the primary government (District) as a whole.

The statement of activities presents a comparison between direct expenses and program revenues for the District's governmental activity. Direct expenses are those that are clearly identifiable as specifically associated with the District. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of the District. Revenues that are not classified as program revenues, including investment income, are presented instead as general revenues. The individual governmental funds are reported in separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose the District considers revenues to be available if they are collected within sixty days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

PENN VALLEY FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District only uses governmental funds.

Governmental Funds

Governmental funds are those through which most governmental functions typically are transacted. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

Governmental activities consisted of the following major funds:

General Fund

The General Fund is the general operating fund of the District. Fire and Rescue operations and administrative support are the focus of the activity in this fund.

In 2005-2006, the District received funds in the amount of \$112,500 for development of property known as Wildwood Ridge II. These funds are currently held in the General Fund and are committed for the additional operational expenses that this new development would bring. Development is currently on hold pending recovery of the housing market. Another \$112,500 will be received when development begins.

Special Revenue Fund

The Special Revenue Fund is used to account for mitigation fees restricted by California Law AB1600 for the purpose of offsetting increased capital costs due to development. A resolution by the Nevada County Board of Supervisors allows the collection of these fees and requires that they be spent only for new capital additions and additionally requires that these funds be spent and/or designated within five years of collection or they are refundable with interest to the payers. The District's policy is to fully expend or designate these funds within the required time frame and, accordingly, no liability has been recognized.

Building and Equipment Fund

The Building and Equipment Fund is used to account for financial resources committed for the acquisition or construction of major capital facilities and equipment purchases.

Net Position

The government-wide financial statements utilize a net position presentation. Net position is categorized as invested in capital assets (net of related debt), restricted and unrestricted. If situations arise where there is a possibility of an expenditure being classified into more than one category, the restricted funds will be used first followed by the unrestricted funds.

**PENN VALLEY FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Fund Balances

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54). This statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories as noted below.

Nonspendable –

This category includes elements of the fund balance that cannot be spent because of their form, or because they must be maintained intact. For example:

- Assets that will never convert to cash, such as prepaid items and inventories of supplies;
- Assets that will not convert to cash soon enough to affect the current period, such as non-financial assets held for resale; or
- Resources that must be held intact pursuant to legal or contractual requirements, such as revolving loan fund capital or the principal of an endowment.

Restricted –

This category includes resources that are subject to constraints that are externally enforceable legal restrictions. Examples include:

- Funding from the state or federal entities or foundations that are legally restricted to specific uses. For example, funds advanced by a federal entity under specific agreements for services, or matching funds for specific initiatives.
- Funds legally restricted by County, state, or federal legislature, or a government’s charter or constitution.
- Amounts collected from non-spendable items, such as the long term portion of loans outstanding, if those amounts are also subject to legal constraints.
- Funding that has been designated for legally enforceable contracts but not yet spent. This includes multi-year contracts.

Committed –

Two criteria are used to determine the District’s fund balance:

1. Use of funds is constrained by limits imposed by the government’s highest level of decision making. The highest level of decision making for the District would be the Board of Directors.
2. Removal or modification of use of funds can be accomplished only by formal action of the authority (i.e., Board of Directors) that established the constraints.

Commitments, modifications or removals must occur prior to the end of the reporting period; that is, the fiscal year being reported upon.

Assigned –

The assigned portion of the fund balance reflects the District’s intended use of resources, which is established either by the Board of Directors, a body created by the Board such as a finance committee, or an official designated by the Board (e.g., Fire Chief). The “assigned” component is similar to the “committed” component, with two essential differences, shown in the following table:

**PENN VALLEY FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Key Differences Between Committed and Assigned Fund Balance		
	Committed	Assigned
A decision to use funds for a specific purpose requires action of the Board of Directors	Yes	No
Formal action of the Board of Directors is necessary to impose, remove or modify this constraint and formal action has taken place before end of reporting period	Yes	No

Another key difference is that the purpose of the assignment must be narrower than the fund itself. Resources that fit into this category include:

- Appropriation of a portion of existing fund balance sufficient to eliminate a projected deficit in the subsequent year’s budget, where the Fire Chief may decide whether to use the entire amount.
- Resources assigned to a specific program or project or organization for which the Board has approved a plan or budget
- Resources approved by the Board for a long range financial plan where formal approval is not required to modify the amount.

Unassigned –

This category includes the fund balance that cannot be classified into any of the other categories.

If situations arise where there is a possibility of assignment into more than one category, the committed amount will be reduced first, followed by assigned amounts and then unassigned amounts.

Budget

The Board provides for a budget for the fiscal year in accordance with Chapter 7 of the Fire Protection District Law of 1987 as contained in the Health & Safety Code Sections 13890 and 13895, inclusive. The Board prepares a preliminary budget by June 30 and adopts a final budget by October 1. Supplemental appropriations are adopted throughout the year as necessary.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

PENN VALLEY FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Fixed Assets

Capital assets are capitalized at acquisition cost; donated equipment is recorded at the fair market value at the time of donation. The District does not possess any infrastructures. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not. Depreciation for the government-wide financial statements is calculated using the straight-line method over the estimated life of the asset. Replacement equipment will be replaced using funds allocated 80% from the building and equipment fund and 20% from the special revenue fund.

Allowance for Doubtful Accounts

Effective July 1, 1999, the District estimates bad debts due to projected Medicare/MediCal disallowances. The allowance is calculated using the average of actual disallowed costs over the previous five years.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position includes 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 which will only be recognized as an outflow of resources (expense) in the future. The District only has one item that qualifies for reporting in this category, which is the deferred outflows of resources related to pension which represents a reclassification of current year's pension contributions, all of which will be amortized during fiscal year 2015-16, per accounting pronouncement GASB Statement No. 71.

In addition to liabilities, the statement of net position includes 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 would only be recognized as an inflow of resources (revenue) at that time. The District only has one item that qualifies for reporting in this category, related to pension, which is the difference between the projected and actual earnings on the pension plan investments.

Net Pension Liability

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

**PENN VALLEY FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 3 – CREDIT RISK, CARRYING VALUE AND MARKET VALUE OF INVESTMENTS

Most cash at June 30, 2016 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.

The County established a treasury oversight committee to monitor and review the management of public funds maintained in the investment pool in accordance with Article 6 Section 27131 of the California Government Code. The oversight committee and the Board of Supervisors review and approve the investment policy annually. The County Treasurer is accountable to the County Treasury Oversight Committee. The District’s fair value portion in the pool is the same as the District’s pool share.

The District deposits all funds in interest bearing accounts with Nevada County. The District does not own any specific identifiable investments in the pool. Information regarding categorization of cash and investments held in the County can be found in the County of Nevada’s financial statements.

The District’s carrying amount and fair value of investments as of June 30, 2016 are as follows:

	Carrying		
Pooled Investments:	Amount	Fair Value	Difference
Nevada County	\$1,419,170	\$1,419,170	\$ 0

At June 30, 2016, there was no difference between the carrying value and the fair value of cash and investments; therefore, an adjustment to fair value was not required for GASB 31 compliance. Fair value was based on un-audited quoted market values provided by the Nevada County Treasurer.

NOTE 3 – CREDIT RISK, CARRYING VALUE AND MARKET VALUE OF INVESTMENTS – Continued

The State law and County’s Investment Policy limit investments in commercial paper to the rating of A1 by Standards & Poor’s or P1 by Moody’s Investors Services. State law and the County’s Investment Policy also limit investments in corporate bonds to the rating of A by Standard & Poor’s and Moody’s Investors Services. The investments of the County can be viewed in the Nevada County financial reports.

Credit Risk

Financial instruments which potentially subject the District to concentrations of credit risk consist principally of cash accounts. The District places its temporary cash with creditworthy, high-quality financial institutions. At June 30, 2016, the District had no funds in excess of Federal Deposit Insurance Corporation (FDIC) insured limits. The District has not experienced any losses in these accounts.

PENN VALLEY FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 4 – CHANGES IN FIXED ASSETS

The following is a summary of changes in the general fixed asset account group:

<u>Description</u>	<u>Balance at June 30, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2016</u>
Equipment	\$ 3,056,220	\$50,835	\$ -	\$ 3,107,055
Building	2,124,740	4,932	-	2,129,672
Land	502,999	-	-	502,999
Total Capital Assets	5,683,959	55,767	-	5,739,726
Less: Accumulated Depreciation	(3,102,695)	(252,131)	-	(3,354,826)
Total Capital Assets net of Accumulated Depreciation	<u>\$ 2,581,264</u>	<u>\$(196,364)</u>	<u>\$ -</u>	<u>\$ 2,384,900</u>

Depreciation expense for the fiscal year ended June 30, 2016 was \$252,131.

NOTE 5 – LEASE COMMITMENTS

The District leases from the Lake Wildwood Association a tract of land described as Lot 1053 at Lake Wildwood Unit 2 to establish, operate, and maintain a fire station to conduct fire protection, rescue and related activities. This lease was entered into on December 9, 1988, and expires on December 9, 2087 and requires a payment of \$1 annually.

NOTE 6 – COMPENSATED ABSENCES

Accumulated unpaid personal leave and vacation amounted to \$33,545 at June 30, 2016. Accrued compensated absences include 100% of all employees' vacation and holiday time earned.

NOTE 7 – NOTES PAYABLE

On January 27, 2011, to replenish funds spent in the purchase of a fire engine in 2009-2010, the District obtained a ten-year note payable to the U.S. Department of Agriculture in the amount of \$237,568. The note is to be paid back in monthly payments of \$2,379, including interest of 3.75% per annum.

Maturities of long-term debt are as follows for the year ending:

2017	24,473
2018	25,406
2019	26,376
2020	27,382
2021	<u>16,182</u>
	<u>\$119,818</u>

**PENN VALLEY FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 8 – PENSION OBLIGATION INCLUDING GASB STATEMENT NO. 68

A. Plan Description and Provisions

The Penn Valley Fire District’s defined benefit pension plan, California State Public Employees Retirement System (PERS), provides pension benefits, and death and disability benefits to plan members and beneficiaries. The District joined PERS effective July 1, 1997.

The PERS is part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements is established by State statutes within the Public Employee’s Retirement Law. The Penn Valley Fire District selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS’ annual financial report may be obtained from the CalPERS Executive Office – 400 P Street – Sacramento, CA 95814.

B. Funding Policy

The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

Active plan members in the PERS are required to contribute a percentage of their annual covered salary. For the fiscal year ended June 30, 2016, the required plan member contributions were as follows:

Miscellaneous	Safety	PEPRA Safety
<u>Plan</u>	<u>Plan</u>	<u>Plan</u>
7.953%	7.000%	9.500%

The District has created a Memorandum of Understanding (MOU) between itself and the full-time employees of the District. Under this MOU, the District contributes the amount that is required by the active Miscellaneous and Safety plan members directly to CalPERS. PEPRA employees are responsible for their own contributions.

The District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration.

For the fiscal year ended June 30, 2016, the required employer contribution rates were as follows:

Miscellaneous	Safety	PEPRA Safety
<u>Plan</u>	<u>Plan</u>	<u>Plan</u>
15.353%	12.825%	9.418%

**PENN VALLEY FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 8 – PENSION OBLIGATION INCLUDING GASB STATEMENT NO. 68

B. Funding Policy – Continued

It is CalPERS position that their ratio constitutes an annual required contribution. For fiscal years ending June 30, 2016, 2015, 2014, 2013, and 2012, the CalPERS required contributions were made, as were the contributions for full-time employees as specified by the MOU between the district and its employees. The total employer contributions, including CalPERS required contributions and MOU contributions for full-time employees, were as follows:

June 30, 2016	\$182,582
June 30, 2015	\$180,328
June 30, 2014	\$185,537
June 30, 2013	\$179,445
June 30, 2012	\$185,022

The following employees were covered by the benefit terms of the plans:

<u>June 30, 2016</u>	
Inactive employees or beneficiaries currently receiving benefits	5
Active employees	16
Total	21

C. Pension Liabilities

At June 30, 2016, the District reported a net pension liability of \$432,756 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014, rolled forward to June 30, 2015, using standard update procedures. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating districts and the State, actuarially determined. At June 30, 2015, the District’s proportionate share was 0.008633% for the Safety and PEPRSA Safety plans and 0.002808% for the Miscellaneous Plan.

D. Pension Plan Fiduciary Net Position

Detailed information about the Plans’ fiduciary net position is available in the separately issued CalPERS financial report.

E. Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2016, the District recognized pension expense/(credit) of \$(56,005). At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PENN VALLEY FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 8: PENSION OBLIGATION INCLUDING GASB STATEMENT NO. 68

F. Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions-Continued

June 30, 2016	Deferred Outflows Resources	Deferred Inflows Resources
Differences between expected and actual experience	\$ -	\$ 15,966
Net difference due to differences in proportions	-	137,169
Net difference between projected and actual earnings on pension plan investments	-	30,432
Net difference due to other changes		64,211
District contributions subsequent to the measurement date	111,577	-
Total	\$ 111,577	\$ 247,778

An amount of \$111,537, reported as deferred outflows of resources related to contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense as follows:

Years Ending June 30	
2017	\$ 63,283
2018	63,283
2019	63,283
2020	57,929
2021	-
Thereafter	-
Total	\$ 247,778

G. Recognition of Gains and Losses

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

**PENN VALLEY FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 8 - PENSION OBLIGATION INCLUDING GASB STATEMENT NO. 68 (Continued)

G. Recognition of Gains and Losses

The amortization period differs depending on the source of the gain or loss:

Difference between projected and actual earnings on investments	5 year straight-line amortization
All other amounts	Straight line amortization over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

H. Actuarial Assumptions

The June 30, 2014 valuation was rolled forward to determine the June 30, 2015 total pension liability, based on the following actuarial methods and assumptions:

<u>June 30, 2016</u>	
Valuation date	June 30, 2014
Measurement date	June 30, 2015
Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Discount rate	7.65%
Inflation	2.75%
Salary increases	Varies by entry age and service
Investment rate of return	7.65%, net of pension plan investment expenses; includes inflation

CalPERS uses custom mortality tables to best fit the patterns of mortality among its members. The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. Other actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study for the period July 1, 1997, through June 30, 2011.

I. Change of Assumptions

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

**PENN VALLEY FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 8 - PENSION OBLIGATION INCLUDING GASB STATEMENT NO. 68 (Continued)

J. 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 of the plans, the tests revealed the assets would not run out. Therefore, the current 7.65% rate is appropriate and the use of the municipal bond rate calculation is not deemed 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 on CalPERS’ website under the GASB 68 section.

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

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the CalPERS Board effective on July 1, 2014.

Year Ended June 30	Target Allocation	Rate of Return	
		Years 1-10*	Years 11+**
Asset Class			
Global equity	51%	5.25%	5.71%
Global fixed income	19%	0.99%	2.43%
Inflation sensitive	6%	0.45%	3.36%
Private equity	10%	6.83%	6.95%
Real estate	10%	4.50%	5.13%
Infrastructure and forest land	2%	4.50%	5.09%
Liquidity	2%	-0.55%	-1.05%
Total	100%		

*An expected inflation of 2.5% was used for this period.

**An expected inflation of 3.0% was used for this period.

PENN VALLEY FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 9 – SPECIAL TAX COLLECTIONS

Taxes are levied on November 1 of the fiscal year and can be paid in two equal installments. The first and second installments are due November 1 and February 1, respectively, and are considered delinquent if not paid before the close of business on December 10 and April 10, respectfully. After June 30, delinquent taxes are in tax default and a property lien attaches to the secured property the following fiscal year on March 1. Tax default property can be sold after five years.

NOTE 10 – SUBSEQUENT EVENTS

Events subsequent to June 30, 2016 have been evaluated through June 6, 2017, the date at which the District's audited financial statements were available to be issued. No events requiring disclosure were noted.

REQUIRED SUPPLEMENTARY INFORMATION

PENN VALLEY FIRE PROTECTION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL (NON-GAAP BUDGETARY BASIS)

GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	<u>General Fund Original Budget</u>	<u>General Fund Final Budget</u>	<u>General Fund Actual</u>	<u>Variance with Final Budget (Unfavorable)</u>
Revenues				
Property Taxes	\$ 322,100	\$ 328,600	\$ 350,721	\$ 22,121
Special Assessments - Fire	456,000	480,000	486,403	6,403
Special Assessments - Rescue	670,000	722,000	720,693	(1,307)
Ambulance Fees	300,000	300,000	315,401	15,401
State Funding - Prop 172	90,000	90,000	94,158	4,158
Homeowners Property Tax Relief	3,500	3,500	3,412	(88)
Donations	-	-	4,769	4,769
Interest Income	3,200	3,200	6,692	3,492
State Reimbursements	55,000	55,000	95,470	40,470
Other Sources	9,000	9,000	18,573	9,573
Total Revenue	<u>1,908,800</u>	<u>1,991,300</u>	<u>2,096,292</u>	<u>104,992</u>
Expenditures				
Personnel Costs	1,623,500	1,623,500	1,740,488	(116,988)
Clothing	12,000	12,000	11,830	170
Communications	68,600	68,600	61,256	7,344
Capital Outlay Replacement	-	-	3,830	-
Meals & Household	7,000	7,500	2,829	4,671
Insurance	12,000	12,000	11,175	825
Medical Supplies	35,000	35,000	39,003	(4,003)
Maintenance	58,200	61,200	63,000	(1,800)
Dues & Subscriptions	2,800	2,800	3,331	(531)
Office Expense	13,300	13,300	14,016	(716)
Professional Fees	66,600	66,600	57,206	9,394
Fire Prevention	2,000	2,000	558	1,442
Training	9,000	9,000	6,193	2,807
Travel / Per Diem / Spec. Dept.	2,000	2,000	1,363	637
Fuel	35,000	35,000	17,644	17,356
Utilities	40,500	40,500	36,559	3,941
Small Equipment	600	600	-	600
Miscellaneous	1,501	1,501	2,756	(1,255)
Contingencies	25,000	25,000	-	25,000
Total Expenditures	<u>2,014,601</u>	<u>2,018,101</u>	<u>2,073,037</u>	<u>(51,106)</u>
Excess of Revenues Over (Under) Expenditures				
Before Other Financing Sources (Uses)	\$ (105,801)	\$ (26,801)	\$ 23,255	\$ 53,886
Other Financing Sources (Uses)				
Transfers Out	(30,000)	(30,000)	(30,000)	-
Total Other Financing Sources (Uses)	<u>(30,000)</u>	<u>(30,000)</u>	<u>(30,000)</u>	<u>-</u>
Excess of Revenues and Other Sources				
Over (Under) Expenditures and Other Uses	<u>\$ (135,801)</u>	<u>\$ (56,801)</u>	<u>\$ (6,745)</u>	<u>\$ 50,056</u>
			Budgetary Basis	\$ (6,745)
			Change in Revenue Accruals	(4,715)
			Change in Expenditure Accruals	(50,549)
			GAAP Basis	<u>(62,009)</u>

See independent auditor's report and notes to financial statements.

**PENN VALLEY FIRE PROTECTION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL (NON-GAAP BUDGETARY BASIS)**

**BUILDING AND EQUIPMENT FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Building & Equipment Original Budget</u>	<u>Building & Equipment Final Budget</u>	<u>Building & Equipment Actual</u>	<u>Variance with Final Budget (Unfavorable)</u>
Revenues				
Donations	\$ 100,000	\$ 100,000	\$ 102,000	\$ 2,000
Interest Income	800	800	2,016	1,216
Total Revenue	<u>100,800</u>	<u>100,800</u>	<u>104,016</u>	<u>3,216</u>
Expenditures				
Clothing	12,000	12,000	7,736	4,264
Other Expenses/Contingencies	1,000	1,000	-	1,000
Equipment & Structural Improvements	53,500	53,500	19,466	34,034
Total Expenditures	<u>66,500</u>	<u>66,500</u>	<u>27,202</u>	<u>39,298</u>
Excess of Revenues Over (Under) Expenditures Before Other Financing Sources (Uses)				
	34,300	34,300	76,814	42,514
Other Financing Sources (Uses)				
Payment of Principal	(25,000)	(25,000)	(18,858)	6,142
Transfers In	30,000	30,000	30,000	-
Total Other Financing Sources (Uses)	<u>5,000</u>	<u>5,000</u>	<u>11,142</u>	<u>6,142</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses				
	<u>\$ 39,300</u>	<u>\$ 39,300</u>	<u>\$ 87,956</u>	<u>\$ 48,656</u>
			Budgetary Basis \$ 87,956	
			Expenditure Reclassification 16,781	
			Expenditure Accruals (12,486)	
			Interest Expense (3,980)	
			<u>GAAP Basis \$ 88,271</u>	

See independent auditor's report and notes to financial statements.

**PENN VALLEY FIRE PROTECTION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL (NON-GAAP BUDGETARY BASIS)**

**SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Special Revenue Original Budget</u>	<u>Special Revenue Final Budget</u>	<u>Special Revenue Actual</u>	<u>Variance with Final Budget (Unfavorable)</u>
Revenues				
Development Fees	\$ 18,000	\$ 18,000	\$ 24,169	\$ 6,169
Interest Income	500	500	787	287
Total Revenue	<u>18,500</u>	<u>18,500</u>	<u>24,956</u>	<u>6,456</u>
Expenditures				
Other Expenses/Contingencies	2,000	2,000	-	2,000
Equipment & Structural Improvements	16,000	16,000	-	16,000
Total Expenditures	<u>18,000</u>	<u>18,000</u>	<u>-</u>	<u>18,000</u>
Excess of Revenues Over (Under) Expenditures Before Other Financing Sources (Uses)	500	500	24,956	24,456
Other Financing Sources (Uses)				
Payment of Principal	<u>(6,000)</u>	<u>(6,000)</u>	<u>(4,715)</u>	<u>1,285</u>
Total Other Financing Sources	<u>(6,000)</u>	<u>(6,000)</u>	<u>(4,715)</u>	<u>1,285</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ (5,500)</u>	<u>\$ (5,500)</u>	<u>\$ 20,241</u>	<u>\$ 25,741</u>
			Budgetary Basis \$ 20,241	
			Expenditure Accruals -	
			Interest Expense (995)	
			<u>GAAP Basis \$ 19,246</u>	

See independent auditor's report and notes to financial statements.

**PENN VALLEY FIRE PROTECTION DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET
PENSION LIABILITY - CALPERS
JUNE 30, 2016**

Year Ended June 30, 2016	Miscellaneous	Safety	PEPRA Safety
District's proportionate share of the net pension liability (asset)	0.002808%	0.008631%	0.000002%
District's proportionate share of the net pension liability (asset)	\$ 77,027	\$355,631	\$99
District's covered-employee payroll	\$ 66,113	\$761,936	\$267,938
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	116.51%	46.67%	0.04%
Plan fiduciary net position as a percentage of the total pension liability	82.99%	86.33%	99.19%

See the accompanying notes to the required supplementary information.

**PENN VALLEY FIRE PROTECTION DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS- CALPERS
JUNE 30, 2016**

Year Ended June 30, 2016	Miscellaneous	Safety	PEPRA Safety
Contractually required contribution	\$ 6,731	\$ 77,569	\$ 27,277
Contributions in relation to the contractually required contribution	(6,731)	(77,569)	(27,277)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 66,113	\$ 761,936	\$ 267,938
Contributions as a percentage of covered-employee payroll	10.18%	10.18%	10.18%

See the accompanying notes to the required supplementary information.

PENN VALLEY FIRE PROTECTION DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2016

1. CHANGES OF BENEFIT TERMS

Public agencies who participate in CalPERS can make changes to their plan provisions, and such changes occur on an ongoing basis. A summary of the plan provisions that were used for a specific plan can be found in the plan's annual valuation report.

2. CHANGES OF ASSUMPTIONS

- A. In February 2014, the CalPERS Board adopted new actuarial assumptions. The most significant change to the actuarial assumptions that the Board adopted was the inclusion of future mortality improvement. The actuarial assumptions adopted by the Board are designed to ensure greater sustainability and soundness of the defined benefit pension plans and will be better at predicting future experience resulting in more secure retirement benefits in the decades to come. The current experience study was based on demographic CalPERS data for years 1997 to 2011. The study focused on recent patterns of termination, death, disability, retirement and salary increases. These new assumptions were reflected in the total pension liabilities as of June 30, 2013. The 2013 liabilities were rolled forward to the measurement date of June 30, 2014, using standard update procedures.

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

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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

Members of the Board of Directors
Penn Valley Fire Protection District
Penn Valley, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Penn Valley Fire Protection District (District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 2, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. 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.

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*.

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.



Jensen Smith
Certified Public Accountants, Inc.
Lincoln, California
June 6, 2017

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June 6, 2017

Management & Board of Directors
Penn Valley Fire Protection District
Penn Valley, California

Dear Ladies and Gentlemen,

In planning and performing our audit of the financial statements of the governmental activities and major funds of Penn Valley Fire Protection District (District), as of and for the year ended June 30, 2016, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit, we may become aware of the matters which are an opportunity for strengthening internal controls and operating efficiency. We previously reported on the District's internal control in our report dated May 2, 2017. This letter does not affect our report dated May 2, 2017, on the financial statements of the District. The following are items related to the audited financial statements and reports that we would like to bring to your attention.

- 1) This is the second year that GASB Statement No. 68 has been in effect. We recommend continued reading of literature related to GASB Statement No. 68, as well as the financial statements and footnotes, to increase familiarity with this new presentation.
- 2) We would like to commend your staff for their continued efforts to streamline internal processes. It was apparent during our audit that various Quickbooks functions are being utilized more and that accounts and classes of accounts have been reviewed and adjusted for better usage.

As always, if you have any questions, please feel free to contact us. We wish you the best in 2017.

Sincerely,



Jensen Smith
Certified Public Accountants, Inc.
Lincoln, California