

**SCOTT VALLEY FIRE  
PROTECTION DISTRICT,  
CALIFORNIA**

**FINANCIAL STATEMENTS  
TOGETHER WITH  
INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED  
JUNE 30, 2017**

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**SCOTT VALLEY FIRE PROTECTION DISTRICT**  
**Annual Financial Report**  
**For the Year Ended June 30, 2017**

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## **INTRODUCTORY SECTION**

- **List of Officials**

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**SCOTT VALLEY FIRE PROTECTION DISTRICT**  
**List of Officials**  
**For the Year Ended June 30, 2017**

**Board of Directors**

Larry Alexander	Chairman
Jay Akerman	Director
Steve Pestana	Director
Kathy Williams	Director
Kevin Hullquist	Director

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## **FINANCIAL SECTION**

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

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Scott Valley Fire Protection District  
Greenview, California

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and the major fund of Scott Valley Fire Protection District, California (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.

**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.

To the Board of Directors  
Scott Valley Fire Protection District  
Greenview, California

## **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 fund of the District as of June 30, 2017, 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.

## **Emphasis of Matter**

As described in Note 1N to the financial statements, in 2016-17, the District implemented, if applicable, Governmental Accounting Standards Board (GASB) Statement Nos. 74, 77, 78, 80 and 82. Our opinion is not modified with respect to these matters.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison information as listed in the table of contents 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.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

### *Other Information*

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

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

To the Board of Directors  
Scott Valley Fire Protection District  
Greenview, California

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated December 14, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.



Smith & Newell CPAs  
Yuba City, California  
December 14, 2018

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## **Basic Financial Statements**

- **Government-Wide Financial Statements**

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**SCOTT VALLEY FIRE PROTECTION DISTRICT**  
**Statement of Net Position**  
**June 30, 2017**

	<u><b>Total Governmental Activities</b></u>
<b>ASSETS</b>	
Cash and investments	\$ 325,818
Receivables:	
Accounts	8,391
Interest	1,077
Taxes	78
Intergovernmental	9,615
Capital assets:	
Non-depreciable	1,080
Depreciable, net	104,393
Total capital assets	<u>105,473</u>
<b>Total Assets</b>	<u>450,452</u>
<b>LIABILITIES</b>	
Accounts payable	4,499
Salaries and benefits payable	<u>1,645</u>
<b>Total Liabilities</b>	<u>6,144</u>
<b>NET POSITION</b>	
Investment in capital assets	105,473
Unrestricted	<u>338,835</u>
<b>Total Net Position</b>	<u><u>\$ 444,308</u></u>

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

**SCOTT VALLEY FIRE PROTECTION DISTRICT**  
**Statement of Activities**  
**For the Year Ended June 30, 2017**

<u>Functions/Programs:</u>	Program Revenues			Net (Expense) Revenue and Changes in Net Position
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Total Governmental Activities</u>
Governmental activities:				
Public protection	\$ 146,835	\$ -	\$ 81,651	\$ -
<b>Total Governmental Activities</b>	146,835	-	81,651	-
<b>Total</b>	\$ 146,835	\$ -	\$ 81,651	\$ -
<b>General revenues:</b>				
Taxes:				
Property taxes				100,162
Timber yield taxes				11
Interest and investment earnings				3,079
<b>Total General Revenues</b>				103,252
<b>Change in Net Position</b>				38,068
<b>Net Position - Beginning</b>				406,240
<b>Net Position - Ending</b>				\$ 444,308

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

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## **Basic Financial Statements**

- **Fund Financial Statements**

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**SCOTT VALLEY FIRE PROTECTION DISTRICT**  
**Balance Sheet**  
**Governmental Fund**  
**June 30, 2017**

	<b>General Fund</b>
<b>ASSETS</b>	
Cash and investments	\$ 325,818
Receivables:	
Accounts	8,391
Interest	1,077
Taxes	78
Intergovernmental	9,615
<b>Total Assets</b>	<b>\$ 344,979</b>
<b>LIABILITIES</b>	
Accounts payable	\$ 4,499
Salaries and benefits payable	1,645
<b>Total Liabilities</b>	<b>6,144</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable revenue	7,484
<b>Total Deferred Inflows of Resources</b>	<b>7,484</b>
<b>FUND BALANCE</b>	
Unassigned	331,351
<b>Total Fund Balance</b>	<b>331,351</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<b>\$ 344,979</b>

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

**SCOTT VALLEY FIRE PROTECTION DISTRICT**  
**Reconciliation of the Governmental Fund Balance**  
**Sheet to the Government-Wide Statement of**  
**Net Position - Governmental Activities**  
**June 30, 2017**

<b>Total Fund Balance - Total Governmental Fund</b>	\$ 331,351
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the governmental fund balance sheet.	105,473
Other long term assets are not available to pay for current period expenditures and therefore, are reported as unavailable revenues in the governmental fund.	<u>7,484</u>
<b>Net Position of Governmental Activities</b>	<u><u>\$ 444,308</u></u>

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

**SCOTT VALLEY FIRE PROTECTION DISTRICT**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance**  
**Governmental Fund**  
**For the Year Ended June 30, 2017**

	<b>General Fund</b>
<b>REVENUES</b>	
Taxes and assessments	\$ 100,173
Use of money and property	3,079
Intergovernmental	74,167
<b>Total Revenues</b>	177,419
<b>EXPENDITURES</b>	
Current public protection:	
Salaries and benefits	73,488
Services and supplies	47,413
<b>Total Expenditures</b>	120,901
<b>Net Change in Fund Balance</b>	56,518
<b>Fund Balance - Beginning</b>	274,833
<b>Fund Balance - Ending</b>	\$ 331,351

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

**SCOTT VALLEY FIRE PROTECTION DISTRICT**  
**Reconciliation of the Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance of the Governmental Fund to the**  
**Government-Wide Statement of Activities - Governmental Activities**  
**For the Year Ended June 30, 2017**

<b>Net Change in Fund Balance - Total Governmental Funds</b>	\$ 56,518
Amounts reported for governmental activities in the statement of activities are different because:	
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>	
Less current year depreciation	(25,934)
<p>Some revenues reported in the statement of activities will not be collected for several months after the District's year end and do not provide current financial resources and therefore, are not reported as revenues in the governmental funds.</p>	
Change in unavailable revenues	7,484
<b>Change in Net Position of Governmental Activities</b>	<b>\$ 38,068</b>

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



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## **Basic Financial Statements**

- **Notes to Basic Financial Statements**

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**SCOTT VALLEY FIRE PROTECTION DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2017**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

Scott Valley Fire Protection District is a special district within the County of Siskiyou governed by an independent five member Board of Directors. The financial transactions are recorded in the Siskiyou County accounting system.

Generally accepted accounting principles require government financial statements to include the primary government and its component units. Component units of a governmental entity are legally separate entities for which the primary government is considered to be financially accountable and for which the nature and significance of their relationship with the primary government are such that exclusion would cause the combined financial statements to be misleading. The primary government is considered to be financially accountable if it appoints a majority of an organization's governing body and is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the primary government.

**Component Units**

Based on the application of the criteria set forth by the Governmental Accounting Standards Board, management has determined that there are no component units of the District.

**Joint Agencies**

The District is a participant in Fire Agencies Self Insurance System (FASIS), the purpose of which is to provide workers' compensation benefits to each member agency including claims administration and program administration. FASIS is composed of approximately 200 members and is governed by a board of directors appointed by the members. Complete financial information can be obtained from the Association office at 1750 Creekside Oaks Drive, Suite 200, Sacramento, California 95833. The District is not financially accountable for this organization and therefore it is not a component unit under Statement Nos. 14, 39 and 61 of the Governmental Accounting Standards Board.

**B. Basis of Presentation**

**Government-Wide Financial Statements**

The statement of net position and statement of activities display information on all of activities of the District. These statements include the financial activities of the overall District. These statements report the governmental activities of the District, which are normally supported by taxes and intergovernmental revenues. The District had no business-type activities at June 30, 2017.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and therefore, are clearly identifiable to a particular function. Program revenues include 1) charges paid by the recipients of goods and services offered by the program, 2) operating grants and contributions and 3) capital grants and contributions. Taxes and other items not properly included among program revenues are presented instead as general revenues.

**SCOTT VALLEY FIRE PROTECTION DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2017**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Basis of Presentation (Continued)**

**Fund Financial Statements**

Fund financial statements of the District are organized into one fund, which is considered to be a separate accounting entity. The fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures. The fund of the District is organized into the governmental category and is treated as a major fund.

The District reports the following major governmental fund:

- The General fund is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the District.

**C. Basis of Accounting and Measurement Focus**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Property taxes, interest, certain state and federal grants, and charges for services are considered susceptible to accrual and are accrued when their receipt occurs within thirty days after the end of the fiscal year. Expenditures are generally recorded when a liability is incurred as under accrual accounting. However, debt service expenditures as well as expenditures related to claims and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of governmental long-term debt and acquisitions under capital leases are reported as other financing sources.

**D. Non-Current Governmental Assets/Liabilities**

Non-current governmental assets and liabilities, such as capital assets and long-term liabilities, are reported in the governmental activities column in the government-wide statement of net position.

**E. Investments**

The District pools all cash and investments, other than cash in a checking account, with the County of Siskiyou. The Siskiyou County Treasury is an external investment pool for the District and the District is considered an involuntary participant. The District's share in this pool is displayed in the accompanying financial statements as cash and investments.

**SCOTT VALLEY FIRE PROTECTION DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2017**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Investments (Continued)**

Participant's equity in the investment pool is determined by the dollar amount of participant deposits, adjusted for withdrawals and distributed investment income. Investment income is determined on the amortized cost basis. Interest payments, accrued interest, accreted discounts, amortized premiums and realized capital gains and losses, net of administrative fees, are apportioned to pool participants every quarter. This method differs from the fair value method used to value investments in these financial statements as unrealized gains or losses are not apportioned to pool participants. During the fiscal year ended June 30, 2017, the County Treasurer has not entered into any legally binding guarantees to support the value of participant equity in the investment pool.

**F. Receivables**

Receivables for governmental activities consist mainly of accounts, interest and intergovernmental revenues. Management believes its governmental fund receivables are fully collectible and, accordingly, no allowance for doubtful accounts is required.

**G. Inventory**

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

**H. Capital Assets**

Capital assets, which include property, plant and equipment, are recorded at historical cost or estimated historical cost if actual is unavailable. Contributed capital assets are valued at their acquisition value at the date of donation. Capital assets are defined by the District as an asset with a cost greater than \$5,000 or more.

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

<u>Depreciable Asset</u>	<u>Estimated Lives</u>
Structures and Improvements	40 years
Equipment	10 years

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increases values, change capacities or extend useful lives are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

**I. Property Tax**

Siskiyou County is responsible for the collection and allocation of property taxes. Under California law, property taxes are assessed and collected by the County of Siskiyou up to 1 percent of the full cash value of taxable property, plus other increases approved by the voters and distributed in accordance with statutory formulas.

**SCOTT VALLEY FIRE PROTECTION DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2017**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**I. Property Tax (Continued)**

The valuation/lien date for all property taxes is January 1. Secured property tax is due in two installments, the first is due November 1 and delinquent with penalties after December 10; the second is due February 1 and delinquent with penalties after April 10. Unsecured property taxes are due on March 1, and become delinquent if unpaid on August 31.

The County uses the alternative method of property tax apportionment known as the “Teeter Plan”. Under this method of property tax apportionment, the County remits the entire amount levied and handles all delinquencies, retaining interest and penalties.

**J. Compensated Absences and Other Postemployment Benefits**

The District does not currently provide compensated absences or other postemployment benefits.

**K. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. At June 30, 2017, the District did not have any deferred outflows of resources.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one type of item that qualifies for reporting in this category. The item, unavailable revenues, is reported in the governmental fund balance sheet. Governmental funds report unavailable revenue for receivables that have not been received within the modified accrual period. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**L. Grant Revenues**

Certain grant revenues are recognized when specific related expenditures have been incurred. In other grant programs, monies are virtually unrestricted as to purpose of expenditure and are only revocable for failure to comply with prescribed compliance requirements. These revenues are recognized at the time of receipt, or earlier if susceptible to accrual criteria is met.

**M. Estimates**

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**SCOTT VALLEY FIRE PROTECTION DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2017**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**N. Implementation of Governmental Accounting Standards Board Statements (GASB)**

The following Governmental Accounting Standards Board (GASB) Statements have been implemented, if applicable, in the current financial statements.

**Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.** This statement improves the usefulness of information about postemployment benefits other than pensions included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.

**Statement No. 77, Tax Abatement Disclosures.** This statement requires disclosure of tax abatement information about (1) a reporting government’s own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government’s tax revenue.

**Statement No. 78, Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans.** This statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have certain characteristics.

**Statement No. 80, Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14.** This statement amends the blending requirements for the financial statement presentation of component units of all state and local governments.

**Statement No. 82, Pension Issues - An Amendment of GASB Statements No. 67, No. 68 and No. 73.** This statement addresses certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. This statement specifically addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

**NOTE 2: CASH AND INVESTMENTS**

**A. Financial Statement Presentation**

As of June 30, 2017, the District’s cash and investments consisted of the following:

Cash:		
Deposits		\$ 2,500
Total Cash		<u>2,500</u>
Investments:		
Siskiyou County Treasurer’s Pool		<u>323,318</u>
Total Investments		<u>323,318</u>
Total Cash and Investments		<u>\$ 325,818</u>

**SCOTT VALLEY FIRE PROTECTION DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2017**

**NOTE 2: CASH AND INVESTMENTS (CONTINUED)**

**B. Cash**

At year end, the carrying amount of the District's cash deposits (including amount in the checking account) was \$2,500, and the bank balance was \$2,500.

Custodial Credit Risk for Deposits - Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits or collateral securities that are in the possession of an outside party. The District and County comply with the requirements of the California Government Code. Under this code, deposits of more than \$250,000 must be collateralized at 105 percent to 150 percent of the value of the deposit to guarantee the safety of the public funds.

**C. Investments**

The District does not have a formal investment policy. At June 30, 2017, all investments of the District were in the County of Siskiyou investment pool. Under the provisions of the County's investment policy and the California Government Code, the County may invest or deposit in the following:

- Banker's Acceptances
- Commercial Paper
- Local Agency Investment Fund (LAIF)
- Medium Term Notes
- Asset Backed Securities
- Money Market Mutual Funds
- Negotiable Certificates of Deposit
- Repurchase Agreements/Reverse Repurchase Agreements
- Municipal Securities of Local and State Entities within the State of California
- United States Treasury Securities
- United States Government Agency (Direct/Indirect) Securities
- Shares of beneficial interest issued by a joint powers authority organized pursuant to Section 6509.7 that invests in the securities and obligations authorized in subdivision (a) to (o) inclusive
- United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank, with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States

Fair Value of Investments - The District measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and,
- Level 3: Unobservable inputs

The District's position in external investment pools is in its self regarded as a type of investment and looking through to the underlying investments of the pool is not appropriate. Therefore, the District's investment in external investment pools are not recognized in the three-tiered fair value hierarchy described above.



**SCOTT VALLEY FIRE PROTECTION DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2017**

**NOTE 2: CASH AND INVESTMENTS (CONTINUED)**

**C. Investments (Continued)**

At June 30, 2017, the District had the following recurring fair value measurements:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by Fair Value Level				
None	\$ -	\$ -	\$ -	\$ -
Total Investments Measured at Fair Value	-	<u>-</u>	<u>-</u>	<u>-</u>
Investments in External Investment Pool				
Siskiyou County Treasurer's Pool	<u>323,318</u>			
Total Investments	<u>\$ 323,318</u>			

**Interest Rate Risk** - Interest rate risk is the risk of loss due to the fair value of an investment falling due to interest rates rising. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. To limit exposure to fair value losses resulting from increases in interest rates, the County's investment policy limits investment maturities to a term appropriate to the need for funds so as to permit the County to meet all projected obligations.

**Credit Risk** - Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The County's investment policy sets specific parameters by type of investment to be met at the time of purchase. As of June 30, 2017, the District's investments were all pooled with the County Treasury which is not rated by a nationally recognized statistical rating organization.

**Custodial Credit Risk** - Custodial credit risk for investments is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits or collateral securities that are in the possession of an outside party. Custodial credit risk does not apply to a local government's indirect investments in securities through the use of mutual funds or government investment pools.

**Concentration of Credit Risk** - Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer of securities. When investments are concentrated in one issuer, this concentration presents a heightened risk of potential loss. The County's investment policy contains limitations on the amount that can be invested in one issuer. As of June 30, 2017, all investments of the District were in the County investment pool which contains a diversification of investments.

**SCOTT VALLEY FIRE PROTECTION DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2017**

**NOTE 2: CASH AND INVESTMENTS (CONTINUED)**

**D. Investments in External Pool**

Siskiyou County Pooled Investment Fund - The Siskiyou County Pooled Investment Fund is a pooled investment fund program governed by the County which monitors and reviews the management of public funds maintained in the investment pool in accordance with the County investment policy and the California Government Code. The Board of Supervisors review and approve the investment policy annually. The County Treasurer prepares and submits a comprehensive investment report to the Board of Supervisors every month. The report covers the type of investments in the pool, maturity dates, par value, actual cost and fair value. Investments in the Siskiyou County Pooled Investment fund are regarded as highly liquid as deposits and withdrawals can be made at any time without penalty. The Pool does not impose a maximum investment limit. Required disclosure information regarding categorization of investments and other deposit and investment risk disclosures can be found in the County's financial statements. The County of Siskiyou's financial statements may be obtained by contacting the County of Siskiyou Auditor-Controller's office at 311 Fourth Street, Yreka, CA 96097.

**NOTE 3: CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2017, was as follows:

	Balance July 1, 2016	Additions	Retirements	Balance June 30, 2017
Capital Assets, Not Being Depreciated:				
Land	\$ 1,080	\$ -	\$ -	\$ 1,080
Total Capital Assets, Not Being Depreciated	<u>1,080</u>	<u>-</u>	<u>-</u>	<u>1,080</u>
Capital Assets, Being Depreciated:				
Buildings and improvements	110,483	-	-	110,483
Equipment	<u>310,218</u>	<u>-</u>	<u>-</u>	<u>310,218</u>
Total Capital Assets, Being Depreciated	<u>420,701</u>	<u>-</u>	<u>-</u>	<u>420,701</u>
Less Accumulated Depreciation For:				
Buildings and improvements	( 56,696)	( 2,762)	-	( 59,458)
Equipment	<u>( 233,678)</u>	<u>( 23,172)</u>	<u>-</u>	<u>( 256,850)</u>
Total Accumulated Depreciation	<u>( 290,374)</u>	<u>( 25,934)</u>	<u>-</u>	<u>( 316,308)</u>
Total Capital Assets, Being Depreciated Net	<u>130,327</u>	<u>( 25,934)</u>	<u>-</u>	<u>104,393</u>
Total Capital Assets, Net	<u>\$ 131,407</u>	<u>(\$ 25,934)</u>	<u>\$ -</u>	<u>\$ 105,473</u>

**Depreciation**

Depreciation expense was charged to governmental functions as follows:

Public Protection	\$ 25,934
Total Depreciation Expense	<u>\$ 25,934</u>

**NOTE 4: NET POSITION**

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

**SCOTT VALLEY FIRE PROTECTION DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2017**

**NOTE 4: NET POSITION (CONTINUED)**

- **Net investment in capital assets** - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- **Restricted net position** - consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- **Unrestricted net position** - all other net position that does not meet the definition of “restricted” or “net investment in capital assets”.

**Net Position Flow Assumption**

When a government funds outlays for a particular purpose from both restricted and unrestricted resources, a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted net position are available, it is considered that restricted resources are used first followed by the unrestricted resources.

**NOTE 5: FUND BALANCES**

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of June 30, 2017, fund balance for governmental funds is made up of the following:

- **Nonspendable fund balance** - amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories and prepaid amounts.
- **Restricted fund balance** - amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed fund balance** - amounts that can only be used for the specific purposes determined by formal action of the District’s highest level of decision-making authority. The Board of Directors is the highest level of decision making authority for the District that can, by adoption of an ordinance commit fund balance. Once adopted, the limitation imposed remains in place until a similar action is taken to remove or revise the limitation. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.
- **Assigned fund balance** - amounts that are constrained by the District’s intent to be used for specific purposes. The intent can be established at either the highest level of decision-making, or by a body or an official designated for that purpose.

**SCOTT VALLEY FIRE PROTECTION DISTRICT**

**Notes to Basic Financial Statements**

**For the Year Ended June 30, 2017**

**NOTE 5: FUND BALANCES (CONTINUED)**

- **Unassigned fund balance** - the residual classification for the District's General fund that includes all amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

The fund balance for the governmental fund as of June 30, 2017, was distributed as follows:

	<u>General Fund</u>
<b>Unassigned</b>	\$ 331,351
Total	<u>\$ 331,351</u>

**Fund Balance Flow Assumption**

When a government funds outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance), a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted fund balance are available, it is considered that restricted fund balance is depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**Fund Balance Policy**

The Board of Directors has not established a fund balance policy that establishes procedures for reporting fund balance classifications, establishes prudent reserve requirements, and establishes a hierarchy of fund balance expenditures. Fund balance which is committed or assigned for a specific purpose is typically done through adoption and amendment of the budget.

**NOTE 6: RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The District has joined together with other fire districts in the state to participate in Fire Association Self Insurance System. This joint agency is a public entity risk pool which serves as a common risk management and insurance program for workers compensation coverage for member fire districts. The District pays an annual premium to the joint agency for its insurance coverage. The agreement with the joint agency provides that they will be self-sustaining through member premiums and will reinsure through commercial companies for excess coverage.

The District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**SCOTT VALLEY FIRE PROTECTION DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2017**

**NOTE 7: OTHER INFORMATION**

**A. Donations**

The Dalmations is a 501 (c) 3 non-profit organization which conducts community fund raisers and donates funds to the District to help with the purchase of equipment.

**B. Subsequent Events**

Management has evaluated events subsequent to June 30, 2017 through December 14, 2018, the date on which the financial statements were available for issuance. Management has determined no subsequent events requiring disclosure have occurred.

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**Required Supplementary Information  
(Unaudited)**

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**SCOTT VALLEY FIRE PROTECTION DISTRICT**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Taxes and assessments	\$ 98,860	\$ 98,940	\$ 100,173	\$ 1,233
Use of money and property	1,500	1,500	3,079	1,579
Intergovernmental	1,580	40,500	74,167	33,667
<b>Total Revenues</b>	<u>101,940</u>	<u>140,940</u>	<u>177,419</u>	<u>36,479</u>
<b>EXPENDITURES</b>				
Current public protection:				
Salaries and benefits	57,000	96,000	73,488	22,512
Services and supplies	55,000	55,000	47,413	7,587
Appropriation for contingencies	-	259,773	-	259,773
<b>Total Expenditures</b>	<u>112,000</u>	<u>410,773</u>	<u>120,901</u>	<u>289,872</u>
<b>Net Change in Fund Balances</b>	(10,060)	(269,833)	56,518	326,351
<b>Fund Balances - Beginning</b>	<u>274,833</u>	<u>274,833</u>	<u>274,833</u>	<u>-</u>
<b>Fund Balances - Ending</b>	<u>\$ 264,773</u>	<u>\$ 5,000</u>	<u>\$ 331,351</u>	<u>\$ 326,351</u>

**SCOTT VALLEY FIRE PROTECTION DISTRICT**  
**Required Supplementary Information**  
**Note to Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2017**

**NOTE 1: BUDGETARY BASIS OF ACCOUNTING**

Formal budgetary integration is employed as a management control device during the year. The District presents a comparison of annual budget to actual results for its General fund. The amounts reported on the budgetary basis are generally on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).

The following procedures are performed by the District in establishing the budgetary data reflected in the financial statements:

- (1) The fiscal officer submits to the Board of Directors a recommended draft budget for the fiscal year commencing the following July 1. The budget includes recommended expenditures and the means of financing them.
- (2) The Board of Directors reviews the recommended budget at regularly scheduled meetings, which are open to the public. The Board also conducts a public hearing on the recommended budget to obtain comments from interested persons.
- (3) Prior to July 1, the budget is adopted through the passage of a resolution.
- (4) From the effective date of the budget, the amounts stated therein, as recommended expenditures become appropriations. The Board may amend the budget by motion during the fiscal year.

The District does not use encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation.

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**OTHER REPORT**

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
Scott Valley Fire Protection District  
Greenview, 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 the major fund of the Scott Valley Fire Protection District, California (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 December 14, 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.

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.

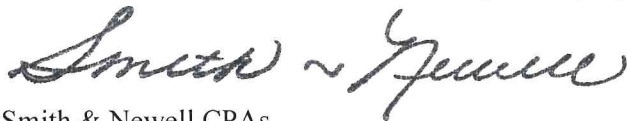
To the Board of Directors  
Scott Valley Fire Protection District  
Greenview, California

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

### **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.

A handwritten signature in cursive script, appearing to read "Smith & Newell", is written in black ink.

Smith & Newell CPAs  
Yuba City, California  
December 14, 2018