

**SCOTT VALLEY FIRE
PROTECTION DISTRICT,
CALIFORNIA**

**FINANCIAL STATEMENTS
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
JUNE 30, 2018**

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SCOTT VALLEY FIRE PROTECTION DISTRICT
Annual Financial Report
For the Year Ended June 30, 2018

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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, 2018

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, 2018, 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, 2018, 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.

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

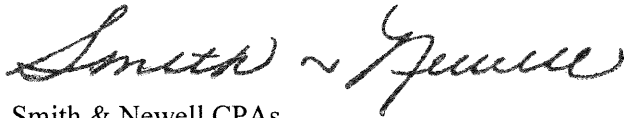
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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 July 11, 2019 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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
July 11, 2019

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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, 2018

	<u>Total Governmental Activities</u>
ASSETS	
Cash and investments	\$ 390,951
Receivables:	
Interest	1,753
Taxes	53
Intergovernmental	16,808
Capital assets:	
Non-depreciable	1,080
Depreciable, net	78,459
Total capital assets	<u>79,539</u>
Total Assets	<u>489,104</u>
LIABILITIES	
Accounts payable	2,115
Salaries and benefits payable	<u>1,474</u>
Total Liabilities	<u>3,589</u>
NET POSITION	
Investment in capital assets	79,538
Unrestricted	<u>405,977</u>
Total Net Position	<u><u>\$ 485,515</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, 2018

<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	\$ 205,603	\$ -	\$ 133,795	\$ -
Total Governmental Activities	205,603	-	133,795	-
Total	\$ 205,603	\$ -	\$ 133,795	\$ -
General revenues:				
Taxes:				
Property taxes				102,481
Timber yield taxes				19
Interest and investment earnings				5,050
Miscellaneous				5,465
Total General Revenues				113,015
Change in Net Position				41,207
Net Position - Beginning				444,308
Net Position - Ending				\$ 485,515

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

Basic Financial Statements

- **Fund Financial Statements**

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SCOTT VALLEY FIRE PROTECTION DISTRICT
Balance Sheet
Governmental Fund
June 30, 2018

	General Fund
ASSETS	
Cash and investments	\$ 390,951
Receivables:	
Interest	1,753
Taxes	53
Intergovernmental	16,808
Total Assets	\$ 409,565
LIABILITIES	
Accounts payable	\$ 2,115
Salaries and benefits payable	1,474
Total Liabilities	3,589
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue	10,851
Total Deferred Inflows of Resources	10,851
FUND BALANCE	
Unassigned	395,125
Total Fund Balance	395,125
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 409,565

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, 2018

Total Fund Balance - Total Governmental Fund	\$ 395,125
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.	79,539
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>10,851</u>
Net Position of Governmental Activities	<u><u>\$ 485,515</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, 2018

	General Fund
REVENUES	
Taxes	\$ 102,500
Intergovernmental	122,944
Use of money and property	5,050
Other revenue	5,465
Total Revenues	235,959
EXPENDITURES	
Current public protection:	
Salaries and benefits	90,380
Services and supplies	81,805
Total Expenditures	172,185
Net Change in Fund Balance	63,774
Fund Balance - Beginning	331,351
Fund Balance - Ending	\$ 395,125

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, 2018

Net Change in Fund Balance - Total Governmental Fund	\$ 63,774
 Amounts reported for governmental activities in the statement of activities are different because:	
 Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Less current year depreciation	(25,934)
 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 fund.	
Change in unavailable revenues	3,367
Change in Net Position of Governmental Activities	\$ 41,207

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

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, 2018

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, 2018.

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, 2018

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, 2018

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, 2018, 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 interest, taxes 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 defined by the District as assets with a cost greater than \$5,000. Capital assets 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 used in operations are depreciated or amortized using the straight-line method over the assets' estimated useful lives 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, 2018

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, 2018, 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, 2018

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. 75, Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. This statement improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). This statement also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

Statement No. 81, Irrevocable Split-Interest Agreements. This statement improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

Statement No. 85, Omnibus 2017. This statement addresses practice issues that have been identified during implementation and application of certain GASB Statements including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits.

Statement No. 86, Certain Debt Extinguishment Issues. This statement improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt.

NOTE 2: CASH AND INVESTMENTS

A. Financial Statement Presentation

As of June 30, 2018, the District's cash and investments consisted of the following:

Cash:	
Deposits	\$ <u>2,500</u>
Total Cash	<u>2,500</u>
Investments:	
Siskiyou County Treasurer's Pool	<u>388,451</u>
Total Investments	<u>388,451</u>
Total Cash and Investments	<u><u>\$ 390,951</u></u>

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.

SCOTT VALLEY FIRE PROTECTION DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2018

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

B. Cash (Continued)

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

C. Investments

The District does not have a formal investment policy. At June 30, 2018, 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, 2018

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

C. Investments (Continued)

At June 30, 2018, 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>388,451</u>			
Total Investments	<u>\$ 388,451</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, 2018, 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, 2018, 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, 2018

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, 2018, was as follows:

	Balance July 1, 2017	Additions	Retirements	Balance June 30, 2018
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>(50)</u>	<u>310,168</u>
Total Capital Assets, Being Depreciated	<u>420,701</u>	<u>-</u>	<u>(50)</u>	<u>420,651</u>
Less Accumulated Depreciation For:				
Buildings and improvements	(59,458)	(2,762)	-	(62,220)
Equipment	<u>(256,850)</u>	<u>(23,172)</u>	<u>50</u>	<u>(279,972)</u>
Total Accumulated Depreciation	<u>(316,308)</u>	<u>(25,934)</u>	<u>50</u>	<u>(342,192)</u>
Total Capital Assets, Being Depreciated Net	<u>104,393</u>	<u>(25,934)</u>	<u>-</u>	<u>78,459</u>
Total Capital Assets, Net	<u>\$ 105,473</u>	<u>(\$ 25,934)</u>	<u>\$ -</u>	<u>\$ 79,539</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, 2018

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, 2018, 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, 2018

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, 2018, was distributed as follows:

	<u>General Fund</u>
Unassigned	\$ 395,125
Total	\$ 395,125

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 adopted a fund balance policy in December 2015 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, 2018

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, 2018 through July 11, 2019, 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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Taxes	\$ 100,025	\$ 100,025	\$ 102,500	\$ 2,475
Intergovernmental	1,565	93,565	122,944	29,379
Use of money and property	2,000	2,000	5,050	3,050
Other revenue	-	-	5,465	5,465
Total Revenues	<u>103,590</u>	<u>195,590</u>	<u>235,959</u>	<u>40,369</u>
EXPENDITURES				
Current public protection:				
Salaries and benefits	61,000	113,000	90,380	22,620
Services and supplies	52,590	92,590	81,805	10,785
Appropriation for contingencies	<u>314,220</u>	<u>314,220</u>	<u>-</u>	<u>314,220</u>
Total Expenditures	<u>427,810</u>	<u>519,810</u>	<u>172,185</u>	<u>347,625</u>
Net Change in Fund Balances	(324,220)	(324,220)	63,774	387,994
Fund Balances - Beginning	<u>331,351</u>	<u>331,351</u>	<u>331,351</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 7,131</u>	<u>\$ 7,131</u>	<u>\$ 395,125</u>	<u>\$ 387,994</u>

SCOTT VALLEY FIRE PROTECTION DISTRICT
Required Supplementary Information
Note to Budgetary Comparison Schedule
For the Year Ended June 30, 2018

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.

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 Scott Valley Fire Protection District, California (District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated July 11, 2019.

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.

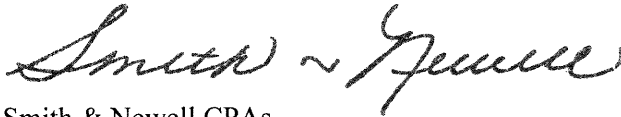
To the Board of Directors
Scott Valley Fire Protection District
Greenview, California

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 over the printed name of the firm.

Smith & Newell CPAs
Yuba City, California
July 11, 2019