

**PENN VALLEY FIRE PROTECTION DISTRICT
FINANCIAL STATEMENTS
JUNE 30, 2014**

PENN VALLEY FIRE PROTECTION DISTRICT
JUNE 30, 2014
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Penn Valley Fire Protection District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Penn Valley Fire Protection District, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America and the California State Controller’s Minimum Audit Requirements and Reporting Guidelines for Special Districts.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and budgetary comparison information on pages 3–6 and 21–23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2015, on our consideration of Penn Valley Fire Protection District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Penn Valley Fire Protection District’s internal control over financial reporting and compliance.



Jensen Smith
Certified Public Accountants, Inc.
Lincoln, California
June 23, 2015

**PENN VALLEY FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

Under management of the Penn Valley Fire Protection District ("District"), this discussion and analysis of the financial performance of the District offers readers an overview of the District's financial activities for the fiscal year ended June 30, 2014 based on currently known facts, decisions or conditions.

Financial Highlights

- The financial statements included in this report provide insight into the financial status for the year.
- The capital assets of the District's governmental activities at the end of the year were \$2,795,352, net of accumulated depreciation in the amount of \$2,840,463 (page 7).
- During the year, total expenses for District governmental activities were \$2,107,086, \$150,159 less than the \$2,257,245 the District generated in tax and other revenues received during the same period (page 8).
- In the District's General Fund activities, revenues were \$2,035,793, while expenditures were \$1,899,223 (page 10).
- In the District's Building and Equipment Fund activities, revenues were \$164,241, while expenditures were \$383,969 (page 10).
- In the District's Impact/Special Revenue Fund activities, revenues were \$21,3465, while expenditures were \$12,364 (page 10).

Using this Annual Report - Overview of the Financial Statements

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

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

Government-wide Financial Statements

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

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

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

Fund Financial Statements

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

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

Financial Analysis

The District as a Whole – Government-wide Financials

- The District's total assets, including capital assets net of accumulated depreciation of \$2,795,352, were \$ 4,059,316 at fiscal year end. This is an increase of \$147,019 from the previous year.
- The District's total liabilities at fiscal year end were \$295,994. This is a decrease of \$3,140 from the previous year.
- The assets of the District exceeded its liabilities at the close of this period by \$3,763,322 (net position). Of this amount, \$876,625 (unrestricted net position) may be used to meet the District's on-going obligations to its creditors (page 7).
- The District's total net position at fiscal year end was \$3,763,322. This is an increase of \$150,159 from the previous year.
- Total revenues for the fiscal year 2013/2014 were \$2,257,245 (\$527,029 program revenues and \$1,730,216 general revenues). This is an increase of \$16,677 from the previous year.
- Total expenses were \$2,107,086, an increase of \$195,313 from the previous year.

The District's Funds - Governmental Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, the unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As the District completed the year, its government funds reported a combined ending fund balance of \$1,095,591 (page 9).

The general fund is the chief operating fund of the District. At the end of the twelve-month period ended June 30, 2014, the unassigned balance of the general fund was \$815,659. This amount constitutes a balance that is available for spending at the District's discretion. The remainder of the fund balance (committed and restricted) is not necessarily available for new spending because it has already been either committed by the District or restricted by regulation to specific expenditures. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures.

Fund Financial Highlights

Income:

In the General Fund, we experienced an increase in total income of \$120,658 from the previous fiscal year due to significant increases in ambulance and rescue special assessments revenue, ambulance revenue, and state fire reimbursements.

In the General Fund, we experienced a 1% (\$3,258) increase in property tax income.

We experienced a \$8,665 increase in income from ambulance service fees.

In the Building and Equipment Fund, our income decreased by \$125,717 from the previous fiscal year. Fiscal year 2012-2013 had seen a very large increase in funding from FEMA grants.

In the Fire Facility Fee Account (Impact), our income increased by \$5,149.

Expenses:

In personnel costs, the District spent \$168,342 more than the previous year. This was largely due to the previous Fire Chief's transition to retirement which began at the start of the 2013-2014 fiscal year as well as the payout of all accrued benefits upon his retirement in June of 2014.

Fuel costs have increased, up \$1,781 from the previous year.

There was an increase in expenditures in our Building and Equipment Fund of \$123,887. This was due to purchases and replacement of equipment and personal protective gear, partly funded by FEMA grants, and station improvements.

The Impact Fund expenditures decreased by \$32,689, due mostly to the purchase of a Ford pick-up in the prior fiscal year.

Capital Assets and Long-Term Debt Activity

Capital Assets

At the end of the fiscal year, the District had a net amount of \$2,795,352 invested in capital assets, including buildings, furniture, fire-fighting equipment, and vehicles, after accumulated depreciation in the amount of \$2,840,463. This year, there were additions to capital assets of \$400,636 and disposals of \$210. More detailed information about the District's capital assets is presented in Note 5 of the financial statements.

Long-Term Debt

At fiscal year end, the District had a balance outstanding of \$166,099 on a note payable to the U.S. Department of Agriculture. The debt was incurred to replace funds expended in 2010-2011 for the purchase of a new engine in 2009-2010.

Budget

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

Variances between budget and actual figures are detailed on page 23.

Economic Factors and Next Year's Budget

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

Requests for Information

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

**PENN VALLEY FIRE PROTECTION DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014**

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 1,125,607
Ambulance Accounts Receivable, less allowance for doubtful accounts of \$133,818	133,174
Refundable Deposit	5,183
Total Current Assets	1,263,964

Non-Current Assets:

Capital Assets, net of accumulated depreciation of \$2,840,463	2,795,352
Total Non-Current Assets	2,795,352

Total Assets	4,059,316
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LIABILITIES

Current Liabilities:

Accounts Payable	8,135
Wages and Benefits Payable	56,468
Current Portion of USDA Note Payable	22,707
Total Current Liabilities	87,310

Non-Current Liabilities:

Compensated Absences Payable	65,292
USDA Note Payable	166,099
Less: Current Portion of Note Payable	(22,707)
Total Non-Current Liabilities	208,684

Total Liabilities	295,994
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NET POSITION

Invested in Capital Assets	2,795,352
Restricted	91,345
Unrestricted	876,625
Total Net Position	\$ 3,763,322

See accompanying notes.

**PENN VALLEY FIRE PROTECTION DISTRICT
STATEMENT OF ACTIVITIES
JUNE 30, 2014**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net Revenue and Change in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants & Contributions</u>	<u>Primary Governmental Activities</u>
Primary Government:				
Governmental Activities:				
General Fund	\$ 1,875,867	\$ 360,953	\$ 2,510	\$ (1,512,404)
Depreciation	224,544	-	-	(224,544)
Special Revenue	1,335	-	-	(1,335)
Building and Equipment	5,340	-	163,566	158,226
Total Governmental Activities	<u>\$ 2,107,086</u>	<u>\$ 360,953</u>	<u>\$ 166,076</u>	<u>(1,580,057)</u>
General Revenues				
Property Taxes				315,576
Special Assessments- Fire				460,356
Special Assessments- Rescue				674,476
Development Fees				21,062
Proposition 172				101,555
Fire Reimbursements				111,878
Gain on Sale of Fixed Assets				210
Other Sources				40,160
Interest				4,943
Total General Revenues				<u>1,730,216</u>
Change in Net Position				150,159
Net Position				
Beginning of the Year				3,613,163
End of the Year				<u>\$ 3,763,322</u>

See accompanying notes.

**PENN VALLEY FIRE PROTECTION DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2013**

	GOVERNMENTAL FUND TYPES			Total Governmental Funds
	General	Building & Equipment	Special Revenue	
<u>Assets</u>				
Cash and Cash Equivalents	\$ 962,091	\$ 77,354	\$ 86,162	\$ 1,125,607
Ambulance Accounts Receivable	29,404	-	-	29,404
Refundable Deposit	-	-	5,183	5,183
Total Assets	\$ 991,495	\$ 77,354	\$ 91,345	\$ 1,160,194
 <u>Liabilities & Fund Balances</u>				
Liabilities:				
Accounts Payable	\$ 6,868	\$ 1,267	\$ -	\$ 8,135
Wages Payable	56,468	-	-	56,468
Total Liabilities	63,336	1,267	-	64,603
Fund Balances:				
Restricted	-	-	91,345	91,345
Committed	112,500	76,087	-	188,587
Unassigned	815,659	-	-	815,659
Total Fund Balances	928,159	76,087	91,345	1,095,591
Total Liabilities & Fund Balances	\$ 991,495	\$ 77,354	\$ 91,345	\$ 1,160,194

See accompanying notes.

PENN VALLEY FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2013

	GOVERNMENTAL FUND TYPES			Total Governmental Funds
	General	Building & Equipment	Special Revenue	
Revenues:				
Property Taxes	\$ 315,576	\$ -	\$ -	\$ 315,576
Special Assessments-Fire	460,356	-	-	460,356
Special Assessments- Rescue	674,476	-	-	674,476
Ambulance Fees	325,699	-	-	325,699
Development Fees	-	-	21,062	21,062
Proposition 172	101,555	-	-	101,555
Grants	-	58,074	-	58,074
Donations	2,510	105,000	-	107,510
Interest Income	3,373	1,167	403	4,943
Fire Reimbursements	111,878	-	-	111,878
Sale of Fixed Assets	210	-	-	210
Other Sources	40,160	-	-	40,160
Total Revenues	<u>2,035,793</u>	<u>164,241</u>	<u>21,465</u>	<u>2,221,499</u>
Expenditures:				
Current General Governmental:				
Personnel Costs	1,577,064	-	-	1,577,064
Clothing	11,048	5,118	-	16,166
Communications	57,590	-	-	57,590
Meals & Household	7,196	-	-	7,196
Insurance	11,419	-	-	11,419
Interest Expense	-	5,340	1,335	6,675
Medical Supplies	34,648	-	-	34,648
Dues & Subscriptions	2,113	-	-	2,113
Office Expense	12,729	-	-	12,729
Professional Fees	46,729	-	-	46,729
Training	5,988	-	-	5,988
Travel / Per Diem / Spec. Dept.	1,520	-	-	1,520
Fuel	31,242	-	-	31,242
Utilities	36,653	-	-	36,653
Small Equipment	554	-	-	554
Miscellaneous	157	-	-	157
Equipment & Asset Purchases	-	373,511	11,029	384,540
Total Expenditures	<u>1,899,223</u>	<u>383,969</u>	<u>12,364</u>	<u>2,295,556</u>
Excess of Revenues Over (Under) Expenditures Before Other Financing Sources (Uses)	136,570	(219,728)	9,101	(74,057)
Other Financing Sources (Uses)				
Payment of Principal	-	(17,498)	(4,374)	(21,872)
Transfers In	-	30,000	-	30,000
Transfers Out	(30,000)	-	-	(30,000)
Total Other Financing Sources (Uses)	<u>(30,000)</u>	<u>12,502</u>	<u>(4,374)</u>	<u>(21,872)</u>
Net Change in Fund Balances	106,570	(207,226)	4,727	(95,929)
Fund Balance, beginning of year	821,589	283,313	86,618	1,191,520
Fund Balance, end of year	<u>\$ 928,159</u>	<u>\$ 76,087</u>	<u>\$ 91,345</u>	<u>\$ 1,095,591</u>

See accompanying notes.

**PENN VALLEY FIRE PROTECTION DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2014**

Total Fund Balances for Governmental Funds	\$ 1,095,591
Total net assets reported for governmental activities in the statement of net assets is different because:	
Capital assets used in the governmental activities are not financial resources and therefore are not reported in the funds.	2,795,352
Receivables received after sixty days after the year end are not considered currently available and therefore are not reported in the governmental fund activities.:	
Ambulance Receivables	103,770
Compensated absences payable applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as a fund liability.	(65,292)
Long-term notes payable applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as a fund liability.	<u>(166,099)</u>
Total Net Position of Governmental Activities	<u><u>\$ 3,763,322</u></u>

See accompanying notes.

**PENN VALLEY FIRE PROTECTION DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
JUNE 30, 2014**

Net change in fund balances - total governmental funds	\$ (95,929)
Total change in net assets for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is capitalized as fixed assets.	400,636
Governmental funds report the proceeds from long-term notes payable and subsequent principal payments as other financing sources and uses. However, in the statement of activities, they are not reported. Rather, the current balance of long-term notes payable is recorded in the statement of net position.	21,873
Revenues in the statement of activities that do not provide current financial resources within 60 days after year end are not reported as revenues in the funds.	35,254
Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore are not reported as expenditures in the governmental funds.	
Change in Compensated Absences	12,869
Depreciation Expense	<u>(224,544)</u>
Change in Net Position of Governmental Activities	<u><u>\$ 150,159</u></u>

See accompanying notes.

PENN VALLEY FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 – NATURE OF THE ORGANIZATION

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Accounting

Government-wide and Fund Financial Statements

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

PENN VALLEY FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund Accounting

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

Governmental Funds

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

Governmental activities consisted of the following major funds:

General Fund

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

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

Special Revenue Fund

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

Building and Equipment Fund

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

Net Position

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

PENN VALLEY FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Fund Balances

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

Nonspendable –

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

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

Restricted –

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

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

Committed –

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

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

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

Assigned –

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

**PENN VALLEY FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

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

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

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

Unassigned –

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

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

Budget

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

Estimates

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

**PENN VALLEY FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Fixed Assets

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

Allowance for Doubtful Accounts

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

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

Most cash at June 30, 2014 is pooled for investment purposes and held by Nevada County. Interest is apportioned quarterly to the District based on the average daily balances on deposit with the County of Nevada. The Nevada County Treasury is an external investment pool for the District and the District is considered an involuntary participant. The investments made by the Treasurer are regulated by the California Government Code and by the County’s investment policy.

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

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

The District’s carrying amount and fair value of investments as of June 30, 2014 are as follows:

	Carrying Amount	Fair Value	Difference
Pooled Investments:			
Nevada County	\$1,075,559	\$1,075,592	\$ 33

At June 30, 2014, the difference between the carrying value and the fair value of cash and investments was \$33. This difference was not regarded as material to the District’s financial position or the results of its operations; therefore, an adjustment to fair value was not required for GASB 31 compliance. Fair value was based on un-audited quoted market values provided by the Nevada County Treasurer.

**PENN VALLEY FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

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

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

Credit Risk

Financial instruments which potentially subject the District to concentrations of credit risk, as defined by FASB Statement of Financial Accounting Standards No. 105, consist principally of cash accounts. The District places its temporary cash with creditworthy, high-quality financial institutions. At June 30, 2014, the District had no funds in excess of Federal Deposit Insurance Corporation (FDIC) insured limits. The District has not experienced any losses in these accounts.

NOTE 4 – CHANGES IN FIXED ASSETS

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

<u>Description</u>	<u>Balance at June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2014</u>
Equipment	\$ 2,726,387	\$289,324	\$ (210)	\$ 3,015,501
Building	2,006,003	111,312	-	2,117,315
Land	502,999	-	-	502,999
Total Capital Assets	5,235,389	400,636	(210)	5,635,815
Less: Accumulated Depreciation	(2,616,129)	(224,544)	210	(2,840,463)
Total Capital Assets net of Accumulated Depreciation	<u>\$ 2,619,260</u>	<u>\$176,092</u>	<u>\$ -</u>	<u>\$ 2,795,352</u>

Depreciation expense for the fiscal year ended June 30, 2014 was \$224,544.

NOTE 5 – LEASE COMMITMENTS

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

On April 5, 2011, the District entered into a lease agreement with the Penn Valley Community Rodeo Association (Association) for the Association’s use of the Rodeo grounds owned by the District. The lease is a five year lease terminating on April 30, 2016 with semi-annual payments of \$3,000 each. During fiscal year 2013-2014 the District received \$4,000 in lease payments, including discounts for improvements made and maintenance performed.

NOTE 6 – COMPENSATED ABSENCES

Accumulated unpaid personal leave and vacation amounted to \$65,292 at June 30, 2014. Accrued compensated absences include 100% of all employees’ vacation and holiday time earned.

**PENN VALLEY FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 7 – NOTES PAYABLE

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

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

2015	22,707
2016	23,573
2017	24,473
2018	25,406
2019	26,376
Thereafter	<u>43,564</u>
	<u>\$166,099</u>

NOTE 8 – RETIREMENT COMMITMENTS

A. Plan Description

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

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

B. Funding Policy

Active plan members in the PERS are required to contribute 7% of their annual covered salary. Penn Valley Fire Protection District contributes the 7% for their full-time personnel, while part-time personnel contribute their own 7%. The District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration.

The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS. The District has created a Memorandum of Understanding (MOU) between itself and the full-time employees of the District. Under this MOU, the District contributes the amount that is required by the active plan members directly to CalPERS.

**PENN VALLEY FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 8 – RETIREMENT COMMITMENTS (continued)

The required employer contribution rates for miscellaneous and safety personnel were as follows:

<u>Period:</u>	<u>Miscellaneous</u>	<u>Safety</u>
July 1, 2013 to June 30, 2014	12.842%	16.387%
July 1, 2012 to June 30, 2013	12.788%	16.393%
January 1, 2012 to June 30, 2012	12.788%	16.393%
July 1, 2011 to December 31, 2011	12.899%	16.228%
July 1, 2010 to June 30, 2011	9.905%	12.479%
July 1, 2009 to June 30, 2010	10.448%	11.982%

C. Annual Pension Cost

It is CalPERS position that their ratio constitutes an annual required contribution. For the current year the required contribution was \$185,537, which the district contributed. For fiscal years ending June 30, 2014, 2013, 2012, 2011, and 2010, the CalPERS required contributions, which were made, were as follows:

June 30, 2014	\$185,537
June 30, 2013	\$179,445
June 30, 2012	\$185,022
June 30, 2011	\$167,790
June 30, 2010	\$153,385

D. Trend Information

Trend information is not available for presentation in these financial statements. Reports can be obtained from CalPERS Executive Office – 400 P Street – Sacramento, CA 95814.

E. Related Party Investments

During the year ended June 30, 2014, and as of the year ended June 30, 2014, the District held no securities issued by PERS.

NOTE 9 – SPECIAL TAX COLLECTIONS

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

NOTE 11 – SUBSEQUENT EVENTS

Events subsequent to June 30, 2014 have been evaluated through June 23, 2015, the date at which the District's audited financial statements were available to be issued. No events requiring disclosure were noted.

REQUIRED SUPPLEMENTARY INFORMATION

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

**GENERAL FUND
JUNE 30, 2014**

	<u>General Fund Original Budget</u>	<u>General Fund Final Budget</u>	<u>General Fund Actual</u>	<u>Variance with Final Budget (Unfavorable)</u>
Revenues				
Property Taxes	\$ 318,300	\$ 315,576	\$ 315,576	\$ -
Special Assessments - Fire	454,000	460,356	460,356	-
Special Assessments - Rescue	673,000	674,476	674,476	-
Ambulance Fees	310,000	330,137	330,137	-
State Funding - Prop 172	86,000	101,555	101,555	-
Donations		2,510	2,510	-
Interest Income	2,500	3,373	3,373	-
State Reimbursements	10,000	112,584	112,584	-
Sale of Fixed Assets	-	210	210	-
Other Sources	15,000	40,160	40,160	-
Total Revenue	<u>1,868,800</u>	<u>2,040,937</u>	<u>2,040,937</u>	<u>-</u>
Expenditures				
Personnel Costs	1,487,000	1,544,100	1,569,249	(25,149)
Clothing	12,000	11,000	11,048	(48)
Communications	63,500	62,200	57,862	4,338
Capital Outlay Replacement	25,000	30,000	-	-
Meals & Household	6,000	6,000	5,574	426
Insurance	11,000	11,000	11,419	(419)
Medical Supplies	32,000	32,000	32,921	(921)
Maintenance	50,800	50,800	61,135	(10,335)
Dues & Subscriptions	1,500	1,500	2,113	(613)
Office Expense	11,800	11,800	12,759	(959)
Professional Fees	55,300	65,200	46,729	18,471
Training	10,000	9,000	6,999	2,001
Travel / Per Diem / Spec. Dept.	1,500	1,500	1,219	281
Fuel	35,000	33,000	32,271	729
Utilities	42,000	39,000	36,450	2,550
Small Equipment	500	500	554	(54)
Miscellaneous	501	1,501	157	1,344
Contingencies	30,000	25,000	-	25,000
Total Expenditures	<u>1,875,401</u>	<u>1,935,101</u>	<u>1,888,459</u>	<u>16,642</u>
Excess of Revenues Over (Under) Expenditures Before Other Financing Sources (Uses)				
	\$ (6,601)	\$ 105,836	\$ 152,478	\$ 16,642
Other Financing Sources (Uses)				
Transfers Out			(30,000)	(30,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(30,000)</u>	<u>(30,000)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses				
	<u>\$ (6,601)</u>	<u>\$ 105,836</u>	<u>\$ 122,478</u>	<u>\$ 16,642</u>

Budget Basis	\$ 122,478
Change in Revenue Accruals	(5,144)
Change in Expenditure Accruals	(10,764)
	<u>\$ 106,570</u>

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

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

**BUILDING AND EQUIPMENT FUND
JUNE 30, 2014**

	<u>Building & Equipment Original Budget</u>	<u>Building & Equipment Final Budget</u>	<u>Building & Equipment Actual</u>	<u>Variance with Final Budget (Unfavorable)</u>
Revenues				
Donations	\$ 90,000	\$ 105,000	\$ 105,000	\$ -
Grants	56,000	58,074	58,074	-
Interest Income	1,800	1,167	1,167	-
Total Revenue	<u>147,800</u>	<u>164,241</u>	<u>164,241</u>	<u>-</u>
Expenditures				
Clothing	7,000	7,000	5,118	1,882
Other Expenses/Contingencies	8,000	8,000	-	8,000
Equipment & Asset Purchases	283,000	266,000	399,132	(133,132)
Total Expenditures	<u>298,000</u>	<u>281,000</u>	<u>404,250</u>	<u>(123,250)</u>
Excess of Revenues Over (Under) Expenditures Before Other Financing Sources (Uses)				
	(150,200)	(116,759)	(240,009)	(123,250)
Other Financing Sources (Uses)				
Payment of Principal		-	(17,498)	(17,498)
Transfers In		-	30,000	30,000
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>12,502</u>	<u>12,502</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses				
	<u>\$ (150,200)</u>	<u>\$ (116,759)</u>	<u>\$ (227,507)</u>	<u>\$ (110,748)</u>
		Budgetary Basis	\$ (227,507)	
		Expenditure Reclassification	22,838	
		Expenditure Accruals	2,783	
		Interest Expense	(5,340)	
		GAAP Basis	<u>\$ (207,226)</u>	

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

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

**SPECIAL REVENUE FUND
JUNE 30, 2014**

	<u>Special Revenue Original Budget</u>	<u>Special Revenue Final Budget</u>	<u>Special Revenue Actual</u>	<u>Variance with Final Budget (Unfavorable)</u>
Revenues				
Development Fees	\$ 16,000	\$ 21,062	\$ 21,062	\$ -
Interest Income	700	403	403	-
Total Revenue	<u>16,700</u>	<u>21,465</u>	<u>21,465</u>	<u>-</u>
Expenditures				
Other Expenses/Contingencies	<u>63,000</u>	<u>73,000</u>	<u>19,374</u>	<u>53,626</u>
Total Expenditures	<u>63,000</u>	<u>73,000</u>	<u>19,374</u>	<u>53,626</u>
Excess of Revenues Over (Under) Expenditures Before Other Financing Sources (Uses)	(46,300)	(51,535)	2,091	53,626
Other Financing Sources (Uses)				
Payment of Principal		-	(4,374)	(4,374)
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>(4,374)</u>	<u>(4,374)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ (46,300)</u>	<u>\$ (51,535)</u>	<u>\$ (2,283)</u>	<u>\$ 49,252</u>
		Budgetary Basis	\$ (2,283)	
		Expenditure Reclassification	5,710	
		Expenditure Accruals	2,635	
		Interest Expense	(1,335)	
		GAAP Basis	<u>\$ 4,727</u>	

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Penn Valley Fire Protection District (District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 23, 2015.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified a deficiency in internal control that we consider to be a material weakness.

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. We consider the deficiency described below to be a material weakness.

Finding 14-01 - Reliance on the Auditor for Generally Accepted Accounting Principles (uncorrected from previous year)

Condition: Management relies on the auditor to format the financial statements according to GASB No. 34 and prepare for approval the adjusting journal entries and footnote disclosures required for the District's financial statements to be in compliance with generally accepted accounting standards.

Criteria: Auditing standards state that the auditor may not be part of an organization's internal control system. Someone in the organization must be knowledgeable in generally accepted accounting standards and capable of preparing financial statements in conformity with generally accepted accounting principles.

Cause: The District does not employ an accountant educated or trained in generally accepted accounting principles and does not contract with such an individual or firm to prepare financial statements in conformity with generally accepted accounting standards prior to the annual audit.

Effect: Unknown

Recommendation: We recommend that if it is necessary for the District to issue financial statements to third party users prior to the annual audit, management consider the cost benefit of hiring an accountant familiar with generally accepted accounting principles or hiring an independent CPA firm to compile full disclosure financial statements.

Response: As of fiscal year 2014-2015, the District has a CPA on staff who is capable of preparing financial statements in accordance with generally accepted accounting principles.

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*.

Penn Valley Fire Protection District's Response to Finding

The District's responses to the findings identified in our audit are described above. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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



Jensen Smith
Certified Public Accountants, Inc.
Lincoln, California
June 23, 2015

P.O. Box 160
Lincoln, CA 95648
Office (916) 434-1662
Fax (916) 434-1090

June 23, 2015

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

Dear Ladies and Gentlemen,

In planning and performing our audit of the financial statements of the governmental activities and major funds of Penn Valley Fire Protection District (District), as of and for the year ended June 30, 2014, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit, we may become aware of the matters which are an opportunity for strengthening internal controls and operating efficiency. We previously reported on the District's internal control in our report dated June 23, 2015. This letter does not affect our report dated June 23, 2015, on the financial statements of the District.

- 1) Yours is a very busy district with many different activities. Now that you have a CPA on staff, we recommend you utilize her knowledge and skills to streamline the Quickbooks accounting system in such a way that encompasses the District's full financial picture. Specifically, we recommend a clean-up of the balance sheet. Quickbooks is very good at capturing transactions in the Profit and Loss and categorizing them by Class, but its balance sheet often requires more modification and tailoring for specific needs to make it a useful statement, especially for a governmental entity.
- 2) Keep your eyes and ears open for information on GASB Statement No. 68. This statement issued by the Governmental Accounting Standards Board will have a huge impact on the financial statements of governmental entities, like your own, who participate in CalPERS. The statement requires an entity's current and future pension liability for all current employees to be disclosed in the financial statements and footnote disclosures. This is effective for the July 2014 through June 2015 financial statements. As your auditor, we will work together to navigate the requirements to ensure that the liabilities are properly disclosed in the 14/15 audited financial statements. CalPERS is conducting the necessary actuarial valuations and estimates the information to be available to its participating employers by July 30th.

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

Sincerely,

A handwritten signature in black ink that reads "Jensen Smith". The signature is written in a cursive style with a large, looping initial "J".

Jensen Smith
Certified Public Accountants, Inc.
Lincoln, CA