

**NORTH SAN JUAN
FIRE PROTECTION DISTRICT
CALIFORNIA**

**MANAGEMENT REPORT
FOR THE YEAR ENDED
JUNE 30, 2008**

**NORTH SAN JUAN FIRE PROTECTION DISTRICT
MANAGEMENT REPORT
FOR THE YEAR ENDED JUNE 30, 2008**

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**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
North San Juan Fire Protection District
North San Juan, California

We have audited the financial statements of the governmental activities and each major fund of the North San Juan Fire Protection District, North San Juan, California (District), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 24, 2008. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. Significant deficiencies are described in the accompanying Schedule of Findings and Recommendations as item numbers 08-FS-01.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

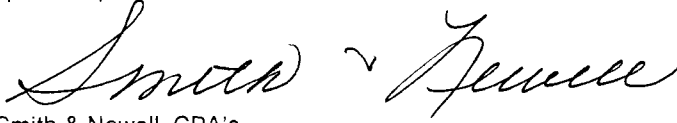
Compliance and Other Matters

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

We noted certain other matters that we reported to management of the District in the accompanying Schedule of Findings and Recommendations.

To the Board of Directors
North San Juan Fire Protection District
North San Juan, California

This report is intended solely for the information and use of management, others within the organization, the Board of Directors, and its regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

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

Smith & Newell, CPA's
Yuba City, California
November 24, 2008

**NORTH SAN JUAN FIRE PROTECTION DISTRICT
MANAGEMENT REPORT
REQUIRED COMMUNICATION
FOR THE YEAR ENDED JUNE 30, 2008**

We have audited the financial statements of the governmental activities and each major fund of the North San Juan Fire Protection District, for the year ended June 30, 2008, and have issued our report thereon dated November 24, 2008. Professional standards require that we provide you with the following information related to our audit.

1. Our Responsibilities Under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter, our responsibility as described by professional standards, is to express opinions about whether the financial statements prepared by management and Smith & Newell, CPAs with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of North San Juan Fire Protection District. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of North San Juan Fire Protection District's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions

2. Planned Scope and Timing of Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters.

3. Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007-2008. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

Management's estimate of depreciation is based on estimated or actual historical cost and the useful lives of such assets. We evaluated the key factors and assumptions used to develop depreciation estimates and determined that they are reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

**NORTH SAN JUAN FIRE PROTECTION DISTRICT
MANAGEMENT REPORT
REQUIRED COMMUNICATION
FOR THE YEAR ENDED JUNE 30, 2008**

4. Difficulties Encountered in Performing the Audit

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

5. Corrected and Uncorrected Misstatements

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

6. Disagreements with Management

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

7. Management Representations

We have requested certain representations from management that are included in the management representation letter.

8. Management Consultations with Other Independent Auditors

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

9. Other Audit Findings or Issues

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

This information is intended solely for the use of the District and management of the District and is not intended to be and should not be used by anyone other than these specified parties.

**NORTH SAN JUAN FIRE PROTECTION DISTRICT
MANAGEMENT REPORT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2008**

08-FS-01 STATEMENT ON AUDITING STANDARDS NO. 112

Condition

Currently, the District relies on the external auditors to ensure its financial statements are in accordance with generally accepted accounting principles (GAAP).

Cause

Prior to issuance of SAS 112, the District was able to rely on the external auditors to assist with the financial statements and related notes without being subject to control deficiencies.

Criteria

In May 2006, a new auditing standard, Statement on Auditing Standard No. 112, Communicating Internal Control Related Matters Identified in an Audit (SAS 112), was issued. The standard provides guidance in that if an entity is unable to draft its own financial statements, there may be a material weakness or significant deficiency. External auditors cannot be part of the District's internal controls, including controls over the preparation of the financial statements, and are prohibited from auditing their own work as doing so impairs their independence.

The District should have the capacity to prepare full disclosure financial statements in accordance with generally accepted accounting principles. To carry out this responsibility, the District must have proper internal controls over financial reporting in place. Proper internal controls over financial reporting include, but are not limited to, internal controls that identify misstatements in the financial records, retaining staff competent in financial reporting and related oversight roles, and adequate design of internal control over the preparation of the financial statements.

Effect of Condition

The risk of misstatement in the financial statements increases when management is not able to apply GAAP in recording the entity's financial transactions or preparing its financial statements, including the related notes. Also, by relying on the external auditors to ensure its financial statements are in accordance with GAAP, the District is considering the external auditors a part of its internal controls over the preparation of the financial statements.

Recommendation

The District may consider the following possible actions:

1. Provide training opportunities for its accounting staff that would enable them to become more familiar with the general disclosure requirements. This training should include, but is not limited to, the usage of a disclosure checklist, which provides guidance to the financial statement's content and whether a necessary disclosure has been overlooked.
2. Hire an external accountant to confirm that the financial statements and related disclosures are in accordance with GAAP.
3. Take no action. The District may find that the costs outweigh the benefits to adhere to this standard. No action will continue to result in a significant deficiency in the District's internal controls over the preparation of the financial statements.

Corrective Action Plan

At this time because of staff limitations we are not able to take action on this recommendation.

08-FS-02 BUDGETS

Condition

We noted that the District did not adopt a budget and therefore could not include budgetary comparison information for the grant revenue and expenditures in the Required Supplementary Information section of the Annual Financial Report.

**NORTH SAN JUAN FIRE PROTECTION DISTRICT
MANAGEMENT REPORT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2008**

08-FS-02 BUDGETS (CONTINUED)

Cause

The District did not adopt a budget for grant revenues and expenditures.

Criteria

Generally accepted accounting principles require that the General fund and all major special revenue funds have legally adopted budgets.

Effect of Condition

The District has excess expenditures over appropriations in the amount of \$40,938 in the General fund.

Recommendation

We recommend that the District budget for grant revenue and expenditures.

Corrective Action Plan

In the future, when we receive notification of the receipt of grants we will add revenue and expenditures to the budget.

**NORTH SAN JUAN
FIRE PROTECTION DISTRICT
CALIFORNIA**

**FINANCIAL STATEMENTS
TOGETHER WITH
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED
JUNE 30, 2008**

**NORTH SAN JUAN FIRE PROTECTION DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2008**

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INTRODUCTORY SECTION

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- **List of Officials**

**NORTH SAN JUAN FIRE PROTECTION DISTRICT
BOARD OF DIRECTORS
FOR THE YEAR ENDED JUNE 30, 2008**

Ed Beckenbach Chairman
Tracy Corris Vice Chairman
Bruce Boyd Treasurer
Pat Leach Member
Durinda Kelley Member

FINANCIAL SECTION

-
- **Independent Auditor's Report**
 - **Management's Discussion and Analysis**
 - **Basic Financial Statements**
 - **Required Supplementary Information**

INDEPENDENT AUDITOR'S REPORT

Board of Directors
North San Juan Fire Protection District
North San Juan, California

We have audited the accompanying financial statements of the governmental activities and each major fund of North San Juan Fire Protection District, North San Juan, California (District), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

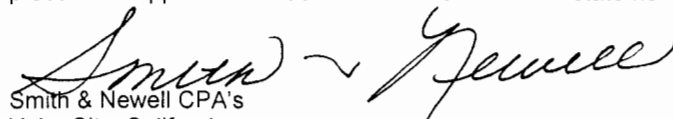
As discussed in Note 1C, the District prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position - modified cash basis of the governmental activities and each major fund of the District as of June 30, 2008, and the respective changes in financial position - modified cash basis, thereof for the year then ended in conformity with the basis of accounting described in Note 1C.

In accordance with Government Auditing Standards, we have also issued our report dated November 24, 2008, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and important for assessing the results of our audit.

The accompanying Required Supplementary Information, such as Management's Discussion and Analysis and the Budgetary Comparison Schedules as listed in the table of contents, is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 express no opinion on it.


Smith & Newell CPA's
Yuba City, California
November 24, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The North San Juan Fire Protection District evolved from a volunteer fire department begun in 1862. The District gained special district status on January 1, 1986. The District has no paid firefighters but relies on the volunteer efforts of about thirty individuals. Management of the District is performed by three part-time employees. The Board is composed of five elected Directors.

The District's mission is to provide fire protection, rescue and emergency medical services, education in fire safety and emergency standards, and other services to protect lives and property. This mission is accomplished by the purchase and management of high quality, appropriate apparatus and equipment; regular and comprehensive training of its volunteers; and community education and involvement whenever possible.

This discussion is provided to offer an overview of the annual financial report for the year ending June 30, 2008. The report is divided into the Introductory Section, listing the District's officials, and the Financial Section that contains the customary independent auditor's report, this overview, the basic financial statements, required supplementary information, and other reports. A description of the fund financial statements section of the report follows.

Financial Statements

The District's basic financial statements contain three components: government-wide financial statements, fund financial statements, and notes to the basic financial statements.

Government-wide Financial Statements are designed to provide a broad overview of the District's assets and liabilities, much like the balance sheet of a private sector business. The *Statement of Net Assets* shows total District assets and liabilities with the difference between them reported as net assets. The *Statement of Activities* shows the detail of changes to the net assets during the year. Since the District functions on the modified cash basis, budgeting and reporting are based on cash in and cash out during the audit year. However, assets and liabilities may be reported in the *Statement* for some activities that will actually occur in a future fiscal period, e.g., payment of outstanding debt and interest in a future year. The District's government-wide financial statements are on pages 5 and 6.

Fund Financial Statements report on the various funds of the District. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund financial statements report essentially the same functions as those reported in the government-wide financial statements. However, they reflect the *fiscal period* inflows and outflows of spendable resources as well as balances of spendable resources available at the end of the fiscal year. Although the focus of fund

financial statements is narrower than that of government-wide financial statements, the information presented in both formats is tied together by the *Reconciliation* reports. Thus the *Balance Sheet* information for the fiscal period is tied to the *Statement of Net Assets*, and the *Statement of Revenues, Expenditures and Changes in Fund Balances* is tied to the *Statement of Activities*. The fund financial statements are presented on pages 7 through 10.

The District adopts an annual appropriated budget for its various funds. A *Budgetary Comparison Schedule* demonstrating compliance with the budget is presented in the Required Supplementary Information section of this report on pages 20 through 22.

Notes to Basic Financial Statements provide information essential to a full understanding of the data reported in the government-wide and fund financial statements and are presented on pages 11 through 19.

Government-wide Financial Analysis

The District presents its financial statements under the reporting model required by the Governmental Accounting Standards Board (GASB) Statements No. 34 and No. 37, “Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments” and “Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments Omnibus”, respectively.

The District’s net assets exceeded liabilities by \$844,148 at the close of the year reported. The most significant portion of net assets is capital assets, comprised of the District’s property, structures, apparatus and equipment. Net assets decreased during the year reported by approximately 6% (\$844,148 at year end compared to \$895,515 at beginning of year). This increase is explained in the *Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances* on page 10.

Governmental Fund Financial Analysis

As noted previously, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. For the report year, the District reported a total ending fund balance of \$197,265, a decrease of \$24,493 from the previous year. This decrease represents the amount of expenditures for the year ended June 30, 2008, in excess of income.

Following is a table showing the report year and prior year fund balances:

	<u>FY 2007/08</u>	<u>FY 2006/07</u>
Total Revenue	\$276,513	\$297,743
Total Expenditures	301,006	227,023
Other Sources (Uses)		
Net Change in Fund Bal	(24,493)	70,720
Fund Equity, Beg of Year	221,758	\$ 151,038
Fund Equity, End of Year	197,265	221,758

Capital Assets and Debt Administration

At the end of the report year, the District had net capital assets totaling \$781,599 comprised of land, buildings and improvements, vehicles and fire apparatus, furniture and fixtures. (Note 3B details the assets.)

At the end of the report year, the District had outstanding long-term debt of \$134,720 for a capital lease to purchase one vehicle and three fire apparatus. (Note 3C gives pertinent details.)

Assumptions for FY 2008/09 Budget

The District will achieve the majority of its goals in upgrading apparatus and equipment to provide fire protection and emergency service in the budget year. Apparatus and equipment needs have been met for the near term. A foreseeable goal for the District is to create and grow a capital reserve fund for replacement purposes.

The mitigation fund revenues are combined with general revenues to pay off indebtedness for upgraded and new apparatus and equipment.

Requests for Information

This discussion and analysis was provided as a general overview of the District's finances for the report year. Questions concerning any of the information presented in this report or requests for additional financial information should be addressed to the Business Manager, North San Juan Fire Protection District, P.O. Box 299, North San Juan, CA 95960.

BASIC FINANCIAL STATEMENTS
Government-Wide Financial Statements

NORTH SAN JUAN FIRE PROTECTION DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2008

	<u>Total Governmental Activities</u>
<u>ASSETS</u>	
Cash and investments	\$ 197,265
Capital assets:	
Non depreciable	38,223
Depreciable, net	<u>743,376</u>
Total capital assets	<u>781,599</u>
Total Assets	<u>978,864</u>
<u>LIABILITIES</u>	
Long-term liabilities:	
Due within one year	24,645
Due in more than one year	<u>110,071</u>
Total Liabilities	<u>134,716</u>
<u>NET ASSETS</u>	
Invested in capital assets, net of related debt	781,599
Restricted for other purpose	14,057
Unrestricted	<u>48,492</u>
Total Net Assets	<u>\$ 844,148</u>

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

**NORTH SAN JUAN FIRE PROTECTION DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008**

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Governmental activities:				
Public protection	\$ 320,798	\$ 26,341	\$ 35,191	\$ -
Interest on long-term debt	7,082	-	-	-
	327,880	26,341	35,191	-
Total Governmental Activities	327,880	26,341	35,191	-
Total Primary Government	\$ 327,880	\$ 26,341	\$ 35,191	\$ -
General revenues:				
Taxes:				
Property taxes				163,182
Interest and investment earnings				6,800
Miscellaneous				44,999
				214,981
				Total General Revenues
				214,981
				Change in Net Assets
				(51,367)
				Net Assets - Beginning
				895,515
				Net Assets - Ending
				\$ 844,148

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

BASIC FINANCIAL STATEMENTS
Fund Financial Statements

**NORTH SAN JUAN FIRE PROTECTION DISTRICT
MODIFIED CASH BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008**

	General Fund	Mitigation Fees	Total
<u>ASSETS</u>			
Cash and investments	\$ 183,208	\$ 14,057	\$ 197,265
Total Assets	\$ 183,208	\$ 14,057	\$ 197,265
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities			
Unearned revenue	\$ -	\$ -	\$ -
Total Liabilities	-	-	-
Fund Balances			
Unreserved, reported in:			
General			
Designated for capital savings	25,000	-	25,000
Undesignated	158,208	-	158,208
Special revenue funds			
Undesignated	-	14,057	14,057
Total Fund Balances	183,208	14,057	197,265
Total Liabilities and Fund Balances	\$ 183,208	\$ 14,057	\$ 197,265

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

NORTH SAN JUAN FIRE PROTECTION DISTRICT
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO THE GOVERNMENT WIDE STATEMENT OF
NET ASSETS - GOVERNMENTAL ACTIVITIES
JUNE 30, 2008

Total Fund Balances - Total Governmental Funds	\$ 197,265
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	781,599
Certain liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds.	
Capital lease payable	<u>(134,716)</u>
Net Assets of Governmental Activities	<u>\$ 844,148</u>

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

NORTH SAN JUAN FIRE PROTECTION DISTRICT
MODIFIED CASH STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	<u>General Fund</u>	<u>Mitigation Fees</u>	<u>Total</u>
REVENUES			
Taxes and assessments	\$ 163,182	\$ -	\$ 163,182
Use of money and property	6,064	736	6,800
Intergovernmental revenues	35,191	-	35,191
Mitigation fees	-	26,341	26,341
Other revenues	44,999	-	44,999
Total Revenues	<u>249,436</u>	<u>27,077</u>	<u>276,513</u>
EXPENDITURES			
Public protection:			
Salaries and benefits	93,354	-	93,354
Services and supplies	118,030	-	118,030
Grant expenditures	46,973	-	46,973
Debt service:			
Principal	-	23,572	23,572
Interest and other charges	1,183	5,899	7,082
Capital outlay	1,990	10,005	11,995
Total Expenditures	<u>261,530</u>	<u>39,476</u>	<u>301,006</u>
Net Change in Fund Balance	(12,094)	(12,399)	(24,493)
Fund Balances - Beginning	<u>195,302</u>	<u>26,456</u>	<u>221,758</u>
Fund Balances - Ending	<u>\$ 183,208</u>	<u>\$ 14,057</u>	<u>\$ 197,265</u>

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

NORTH SAN JUAN FIRE PROTECTION DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

Net Change in Fund Balances - Total Governmental Funds	\$ (24,493)
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.	
Expenditures for capital outlay	11,995
Depreciation expense	(62,441)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	
Principal retirements	23,572
Change in Net Assets of Governmental Activities	\$ (51,367)

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

BASIC FINANCIAL STATEMENTS
Notes to Modified Cash Basis Financial Statements

NORTH SAN JUAN FIRE PROTECTION DISTRICT
NOTES TO MODIFIED CASH BASIS FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 1: FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The North San Juan Fire Protection District was organized pursuant to section 14001 - 14314 of the California Health and Safety Code. The District provides fire protection services to the North San Juan area of Nevada County and maintains facilities in North San Juan.

The accounting methods and procedures adopted by the District conform to generally accepted accounting principles as applied to governmental entities. These financial statements present the government and its component units, entities for which the government is considered to be financially accountable under the criteria set by Governmental Accounting Standards Board (GASB) Statement No. 14.

The governmental reporting entity consists of the District (Primary Government) and its component units. Component units are legally separate organizations for which the Board of Directors is financially accountable or other organizations whose component units nature and significant relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and (i) either the District's ability to impose its will on the organization or (ii) there is potential for the organization to provide a financial benefit to or impose a financial burden on the District.

Reporting for component units on the District financial statements can be blended or discretely presented. Blended component units are, although legally separate entities, in substance part of the District's operations and, therefore, data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, would be reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the government.

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.

B. Basis of Presentation

Government-Wide Financial Statements

The statement of net assets and statement of activities display information about the primary government (District). These statements include the financial activities of the overall District activities. Eliminations have been made to minimize the double counting of internal activities. These statements report the governmental activities of the District, which are normally supported by property taxes and special assessments.

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 and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

Fund Financial Statements

Fund financial statements of the District are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into one major category: governmental. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- Total assets, liabilities, revenues or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

NORTH SAN JUAN FIRE PROTECTION DISTRICT
NOTES TO MODIFIED CASH BASIS FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 1: FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

The District reports the following major governmental funds:

- The General Fund is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the District that are not accounted for through other funds. For the District, the General Fund includes such activities as fire safety and protection.
- The Mitigation Fees fund is a special revenue fund used to account for revenues and expenditures related to mitigation fees.

C. Basis of Accounting and Measurement Focus

The government-wide financial statements are reported using the modified cash basis of accounting. Revenues are recognized when received and expenses are recognized when paid. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property tax, grants, entitlements, and donations. When both restricted and unrestricted net assets are available, unrestricted resources are depleted first before the restricted resources are used.

Governmental funds are reported using the modified cash basis of accounting. Under this method, revenues are recognized when received. Charges for services, operating grants, and use of money and property are recorded when received. Expenditures are recorded when paid. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financing sources.

D. Cash and Investments

The District pools all cash and investments, other than cash on hand, 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. State statutes authorize the District and County to invest its cash surplus in obligations of the U.S. Treasury, agencies and instrumentalities, corporate bonds, medium term notes, bankers' acceptances, certificates of deposit, commercial paper, repurchase agreements, and the State of California Local Agency Investment Fund.

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 an amortized cost basis. Amortized premiums and accreted discounts, accrued interest, and realized gains and losses, net of expenses, are apportioned to pool participants every quarter based on the participant's average daily cash balance at quarter end in relation to the total pool investments. This method differs from the fair value method used to value investments in these financial statements. In these financial statements, the fair value of the District's investments in the pool was based on unaudited quoted market values as provided by the County Treasurer. The pool has not provided or obtained any legally binding guarantees during the period to support the value of the investments.

The County has 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 prepares and submits a comprehensive investment report to the members of the oversight committee and the investment pool participants every month. The report covers the type of investments in the pool, maturity dates, par value, actual cost and fair value.

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 Nevada's financial statements may be obtained by contacting the County of Sutter Auditor-Controller's Office at 463 Second Street, Yuba City, CA 95991.

E. Inventory and Prepaid Costs

Governmental fund inventories are recorded as expenditures at the time the inventory is purchased. Records are not maintained of inventory and supplies on hand, although these amounts are not considered material.

Certain payments to vendors reflect costs applicable to future accounting periods.

NORTH SAN JUAN FIRE PROTECTION DISTRICT
NOTES TO MODIFIED CASH BASIS FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 1: FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Capital Assets

The accounting treatment over capital assets depends on whether the assets are reported in the government-wide or fund financial statements.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

Government-Wide Financial Statements

In the government-wide financial statements, property, plant, and equipment are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

<u>Depreciable Asset</u>	<u>Estimated Lives</u>
Equipment	3-25 years
Structures and improvements	5-50 years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

G. Long-Term Debt

All long-term debt to be repaid from governmental resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of capital lease payable.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. Debt proceeds would be reported as other financing sources and payment of principal and interest reported as expenditures.

H. Compensated Absences and Post-Employment Benefits

At June 30, 2008, the District did not have any full-time employees who would be eligible for vacation, sick leave or compensatory time off.

The District does not currently provide post-employment benefits.

I. Net Assets/Fund Balance

Government-Wide Financial Statements

Equity is classified as net assets and displayed in three components:

- Invested in capital assets, net of related debt – 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 assets – Consists of net assets 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 assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

NORTH SAN JUAN FIRE PROTECTION DISTRICT
NOTES TO MODIFIED CASH BASIS FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

**NOTE 1: FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

I. Net Assets/Fund Balance (Continued)

Government-Wide Financial Statements (Continued)

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

Fund Statements

In the fund financial statements governmental funds report reserves and designations as segregated portions of fund balance. Reservations of fund balance are for amounts that are not available or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance are established by action of management and represent tentative plans that are subject to change. At June 30, 2008, the District had no reservations of fund balance.

At June 30, 2008, designations of fund balance included:

Designated for Capital Savings - to reflect the portion of fund balance set aside for future purchases of equipment, improvements, and facilities.

J. Property Tax Levy, Collection, and Maximum Rates

Nevada County assesses properties, bills, collects, and distributes property taxes to the District. The County remits the entire amount levied and handles all delinquencies, retaining interest and penalties. Secured and unsecured property taxes are levied on July 1. Secured property taxes become a lien on real property on January 1 of the preceding fiscal year.

Secured property tax is due in two installments, on November 1 and March 1. Property taxes become delinquent after December 10 and April 10, respectively. Unsecured property tax is due on July 1, and becomes delinquent on August 31.

The term "unsecured" refers to taxes on personal property other than real estate, land and buildings. These taxes are secured by liens on the property being taxed.

K. 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. Cash received prior to incurrence of the related expenditure is recorded as unearned revenue.

L. Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function.

In the fund financial statements, expenditures are classified as follows:

Government Funds – By Character
Current (further classified by function)
Debt Service
Capital Outlay

**NORTH SAN JUAN FIRE PROTECTION DISTRICT
 NOTES TO MODIFIED CASH BASIS FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2008**

**NOTE 1: FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
 (CONTINUED)**

M. Interfund Transactions

Interfund transactions are reflected as either loans, services provided or used, reimbursements or transfers.

Loans reported as receivables and payables are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans) as appropriate and are subject to elimination upon consolidation. Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not available financial resources.

Services provided or used, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses.

Reimbursements occur when the funds responsible for particular expenditures or expenses repay the funds that initially paid for them. Such reimbursements are treated as an adjustment to expenditures or expenses; that is, a corresponding increase in expenditures or expenses in the reimbursing fund and a corresponding decrease in expenditures or expenses in the reimbursed fund.

All other interfund transactions are treated as transfers. Transfers between funds are netted as part of the reconciliation to the government-wide presentation.

N. 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. Actual results could differ from those estimates.

NOTE 2: DETAILED NOTES

A. Cash and Investments

As of June 30, 2008, the District's cash and investments consisted of the following:

Deposits	\$	8,502
Nevada County Treasurer's Pool		188,763
Total Cash and Investments	\$	197,265

Cash

The California Government Code requires California banks and savings and loan associations to collateralize a District's deposits by pledging government securities. The market value of pledged securities must equal at least 110 percent of a District's deposits. California law also allows financial institutions to collateralize District deposits by pledging first trust deed mortgage notes having a value of 150 percent of a District's total deposits. The District may waive collateral requirements for deposits which are fully insured up to \$100,000 by Federal Depository insurance.

At year end, the carrying amount of the District's cash deposits (including amounts in checking accounts) was \$8,502 and the bank balance was \$9,252. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit. Of the bank balance \$9,252 was covered by federal depository insurance.

Investments

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. All investments of the District are pooled with the County of Nevada investment pool. The District does not have a formal investment policy that further limits investment maturities as a means of managing its exposure to fair value losses.

NORTH SAN JUAN FIRE PROTECTION DISTRICT
NOTES TO MODIFIED CASH BASIS FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 2: DETAILED NOTES (CONTINUED)

A. Cash and Investments (Continued)

Investments (Continued)

Credit Risk - Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law and County investment policy limit investments in commercial paper to the rating of A1 by Standards & Poor's or P-1 by Moody's Investors Service. State law also limits investments in corporate bonds to the rating of A by both Standards & Poor's or P-1 by Moody's Investors Service. The District does not have a formal investment policy that would further limit its investment choices.

Custodial Credit Risk - Custodial credit risk 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 does not have a formal investment policy that would limit the exposure to custodial credit risk.

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 District has invested all cash, except cash held in banks, in the County investment pool which contains a diversification of investments.

B. Capital Assets

Capital assets activity for the year ended June 30, 2008, was as follows:

	Balance July 1, 2007	Additions	Retirements	Balance June 30, 2008
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 38,223	\$ -	\$ -	\$ 38,223
Total Capital Assets, Not Being Depreciated	<u>38,223</u>	<u>-</u>	<u>-</u>	<u>38,223</u>
Capital Assets, Being Depreciated:				
Buildings and improvements	338,145	10,005	-	348,150
Vehicles and fire apparatus	742,860	-	-	742,860
Furniture and fixtures	177,336	1,990	-	179,326
Total Capital Assets, Being Depreciated	<u>1,258,341</u>	<u>11,995</u>	<u>-</u>	<u>1,270,336</u>
Less Accumulated Depreciation For:				
Buildings and improvements	(88,981)	(7,805)	-	(96,786)
Vehicles and fire apparatus	(282,568)	(39,444)	-	(322,012)
Furniture and fixtures	(92,970)	(15,192)	-	(108,162)
Total Accumulated Depreciation	<u>(464,519)</u>	<u>(62,441)</u>	<u>-</u>	<u>(526,960)</u>
Total Capital Assets, Being Depreciated, Net	<u>793,822</u>	<u>(50,446)</u>	<u>-</u>	<u>743,376</u>
Governmental Activities Capital Assets, Net	<u>\$ 832,045</u>	<u>(\$ 50,446)</u>	<u>\$ -</u>	<u>\$ 781,599</u>

Depreciation

Depreciation expense was charged to governmental activities as follows:

Public Protection	\$ 62,441
Total Depreciation Expense – Governmental Activities	<u>\$ 62,441</u>

NORTH SAN JUAN FIRE PROTECTION DISTRICT
NOTES TO MODIFIED CASH BASIS FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 2: DETAILED NOTES (CONTINUED)

C. Long-Term Liabilities

The following is a summary of long-term liabilities for the year ended June 30, 2008:

	<u>Balance July 1, 2007</u>	<u>Additions/ Adjustments</u>	<u>Retirements</u>	<u>Balance June 30, 2008</u>
Capital Leases Payable (Note 2D)	\$ 158,288	\$ -	(\$ 23,572)	\$ 134,716
Total	<u>\$ 158,288</u>	<u>\$ -</u>	<u>(\$ 23,572)</u>	134,716
Less Current Portion				(24,645)
Total Long-Term Portion				<u>\$ 110,071</u>

D. Leases

Capital Leases

The District has entered into certain capital lease agreements under which the related equipment will become the property of the District when all terms of the lease agreements are met.

	<u>Stated Interest Rate</u>	<u>Present Value of Remaining Payments at June 30, 2008</u>
Governmental Activities	4.46	\$ 134,716
Total Capital Lease Obligations		<u>\$ 134,716</u>

Vehicles and related accumulated depreciation under capital lease are as follows:

	<u>Governmental Activities</u>
Vehicles and fire apparatus	\$ 417,851
Less: accumulated depreciation	(175,322)
Net Value	<u>\$ 242,529</u>

As of June 30, 2008, capital lease annual amortization is as follows:

	<u>Governmental Activities</u>
Year Ending June 30:	
2009	\$ 30,654
2010	30,654
2011	30,654
2012	30,654
2013	<u>30,654</u>
Total requirements	153,270
Less interest	(18,554)
Present Value of Remaining Payments	<u>\$ 134,716</u>

NOTE 3: 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 carries commercial coverage for all risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NORTH SAN JUAN FIRE PROTECTION DISTRICT
NOTES TO MODIFIED CASH BASIS FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 4: OTHER INFORMATION

A. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the appreciable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

B. Subsequent Event

As of June 30, 2008, the District's investments were held in the Nevada County Treasurer's pool. The fair value of some investments in this pool may have declined since the June 30th value listed in these financial statements. Any decrease in fair market value will be reflected as a reduction in investment earnings as realized. The amount of this decrease is not expected to exceed investment earnings in any period.

C. New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has released the following new standards:

GASB Statement No. 45, Accounting and Financial Reporting by Employers of Postemployment Benefits Other Than Pensions (OPEB) addresses how state and local governments should account for and report their costs and obligations related to postemployment healthcare and other nonpension benefits. Collectively, these benefits are commonly referred to as other postemployment benefits, or OPEB. The statement generally requires that employers account for and report the annual cost of OPEB and outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Annual OPEB cost for most employers will be based on actuarially determined benefits as they come due. This statement's provisions may be applied prospectively and do not require governments to fund their OPEB plans. An employer may establish its OPEB liability at zero as of the beginning of the initial year of implementation; however, the unfunded actuarial liability is required to be amortized over future periods. This statement also establishes disclosure requirements for information about the plans in which an employer participates, the funding policy followed, the actuarial valuation process and assumptions, and for certain employers, the extent to which the plan has been funded over time. GASB Statement No. 45 is effective for the District's fiscal year ending June 30, 2009.

Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations, issued in November 2006. This Statement establishes accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The Statement establishes once any of five specified obligating events occurs, that a government is required to estimate the components of the expected pollution remediation outlays and determine whether the outlays for those components should be recorded as a liability or, if appropriate, capitalized when goods and services are acquired. GASB Statement No. 49 is effective for financial statements for years beginning after December 15, 2007.

Statement No. 50, Pension Disclosures, an amendment of GASB Statement No. 25 and No. 27, enhances the information disclosed in the notes to the financial statements or presented as required supplementary information (RSI). Statement No. 50 is intended to improve the transparency and decision usefulness of reported information about pensions by state and local governmental plans and employers, and conforms to the applicable changes adopted in Statement No. 45. GASB Statement No. 50 is effective for financial statements for years beginning after June 15, 2007.

Statement No. 51, Accounting and Financial Reporting for Intangible Assets requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This Statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. GASB Statement No. 51 is effective for financial statements for years beginning after June 15, 2009.

Statement No. 52, Land and Other Real Estate Held as Investments by Endowments improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income. GASB Statement No. 52 is effective for financial statements for years beginning after June 15, 2008.

NORTH SAN JUAN FIRE PROTECTION DISTRICT
NOTES TO MODIFIED CASH BASIS FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 4: OTHER INFORMATION (CONTINUED)

B. New Accounting Pronouncements (Continued)

Statement No.53, Accounting and Financial Reporting for Derivative Instruments addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are often complex financial arrangements used by governments to manage specific risks or to make investments. By entering into these arrangements governments receive and make payments based on market prices without actually entering into the related financial or commodity transactions. Derivative instruments associated with changing financial and commodity prices result in changing cash flows and fair values that can be used as effective risk management or investment tools. Derivative instruments, however, also can expose governments to significant risks and liabilities. Common types of derivative instruments used by governments include interest rate and commodity swaps, interest rate locks, options (caps, floors, and collars), swaptions, forward contracts and futures contracts. GASB Statement No. 53 is effective for financial statements for years beginning after June 15, 2009.

REQUIRED SUPPLEMENTARY INFORMATION

**NORTH SAN JUAN FIRE PROTECTION DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>REVENUES</u>				
Taxes and assessments	\$ 164,405	\$ 165,429	\$ 163,182	\$ (2,247)
Use of money and property	3,000	3,000	6,064	3,064
Intergovernmental revenues	26,600	26,305	35,191	8,886
Other revenues	5,300	5,300	44,999	39,699
Total Revenues	<u>199,305</u>	<u>200,034</u>	<u>249,436</u>	<u>49,402</u>
<u>EXPENDITURES</u>				
Public protection:				
Salaries and benefits	75,696	77,696	93,354	(15,658)
Services and supplies	122,300	119,719	118,030	1,689
Grant expenditures	-	-	46,973	(46,973)
Contingency	-	20,003	-	20,003
Debt service:				
Interest and other charges	7,061	1,183	1,183	-
Capital outlay	-	1,991	1,990	1
Total Expenditures	<u>205,057</u>	<u>220,592</u>	<u>261,530</u>	<u>(40,938)</u>
Net Change in Fund Balance	<u>\$ (5,752)</u>	<u>\$ (20,558)</u>	<u>(12,094)</u>	<u>\$ 8,464</u>
Fund Balances - Beginning			<u>195,302</u>	
Fund Balances - Ending			<u>\$ 183,208</u>	

**NORTH SAN JUAN FIRE PROTECTION DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 MAJOR SPECIAL REVENUE FUND - MITIGATION FUND
 FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>REVENUES</u>				
Use of money and property	\$ 700	\$ 700	\$ 736	\$ 36
Mitigation fees	25,000	25,000	26,341	1,341
Total Revenues	<u>25,700</u>	<u>25,700</u>	<u>27,077</u>	<u>1,377</u>
<u>EXPENDITURES</u>				
Debt service:				
Principal	23,572	23,572	23,572	-
Interest and other charges	5,899	5,899	5,899	-
Capital outlay	10,005	10,005	10,005	-
Total Expenditures	<u>39,476</u>	<u>39,476</u>	<u>39,476</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ (13,776)</u>	<u>\$ (13,776)</u>	<u>(12,399)</u>	<u>\$ 1,377</u>
Fund Balances - Beginning			<u>26,456</u>	
Fund Balances - Ending			<u>\$ 14,057</u>	

**NORTH SAN JUAN FIRE PROTECTION DISTRICT
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2008**

BUDGETARY BASIS OF ACCOUNTING

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The fiscal officer submits to the Board of Directors a proposed draft budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
2. The Board of Directors reviews the proposed budget at regularly scheduled meetings, which are open to the public. The Board also conducts a public hearing on the proposed 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 proposed expenditures become appropriations to the District. The Board of Directors may amend the budget by motion during the fiscal year.

Formal budgetary integration is employed as a management control device during the year. The District presents a comparison of annual budgets to actual results for all governmental funds. The amounts reported on the budgetary basis are generally on the basis of accounting described in Footnote Note 1C.

The General fund had expenditures in excess of appropriations of \$40,938.