

Albion-Little River Fire Protection District

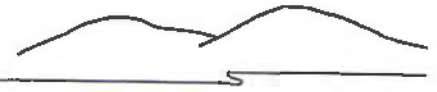
FINANCIAL STATEMENTS

AUDIT REPORT

June 30, 2015

and

June 30, 2016



September 30, 2016

Albion-Little River Fire Protection District
PO Box 634
Albion, CA 95410

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of Albion-Little River Fire Protection District as of and for the years ended June 30, 2015 and June 30, 2016, as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

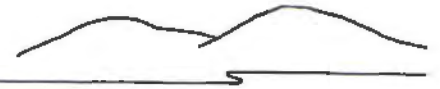
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and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

Auditor's Responsibility

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 applicable to financial audits contained in Governmental 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 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 our audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Albion-Little River Fire Protection District as of June 30, 2015 and June 30, 2016, and the respective changes in financial position, and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

The District has not presented Management's Discussion and Analysis or budgetary comparison information that accounting principles generally accepted in the United States of America require 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 financial statements in an appropriate operational, economic, or historical context.

Pehling & Pehling, CPA's
An Accountancy Corporation

Albion-Little River Fire Protection District

Audit Report

June 30, 2015

and

June 30, 2016

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Albion-Little River Fire Protection Dist

Balance Sheet

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
<u>ASSETS</u>		
Cash	\$ 514,756	\$ 391,131
Reserved Cash	10,643	10,638
Accounts Receivable	-	-
Prepays	-	-
	<hr/>	<hr/>
TOTAL ASSETS	525,400	401,769
	<hr/>	<hr/>
<u>LIABILITIES & FUND BALANCES</u>		
<u>Liabilities:</u>		
Other Current Liability	-	5,806
Total Current Liabilities	-	5,806
	<hr/>	<hr/>
Total Liabilities	-	5,806
	<hr/>	<hr/>
<u>Fund Balances:</u>		
Unassigned	514,756	385,326
Committed	10,643	10,638
	<hr/>	<hr/>
Total Fund Balance	525,400	395,964
	<hr/>	<hr/>
<u>TOTAL LIABILITIES & FUND BALANCE</u>	\$ 525,400	\$ 401,769
	<hr/>	<hr/>
Fund Balance	525,400	395,964
Amounts reported for governmental activities on the Statement of Net Position are different because:		
Capital Assets are not current financial resources and therefore are not reported in the funds financial statements	309,489	365,044
	<hr/>	<hr/>
Net Position of governmental activities	\$ 834,889	\$ 761,008
	<hr/>	<hr/>

The accompanying notes are an integral part of these financial statements

Albion-Little River Fire Protection Dist

Statement of Revenues, Expenditures & Change in Fund Balance For the Year Ended

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
<u>REVENUE</u>		
Special Tax	\$ 191,133	\$ 82,880
Other Income	47,442	43,731
Interest	1,035	703
Taxes and Intergovernmental	81,304	77,871
TOTAL REVENUE	320,914	205,185
<u>EXPENDITURES</u>		
Personnel Costs	10,323	9,342
Fixed Assets	54,198	26,597
Insurance	9,837	10,675
Professional Fees	14,842	7,409
Transportation and Travel	12,363	17,244
Maintenance	44,559	31,122
Services, Supplies and Refunds	45,356	36,611
TOTAL EXPENDITURES	191,478	139,000
Excess (Deficit) Revenues over Expenditures	129,436	66,185
<u>CHANGE IN FUND BALANCE</u>	129,436	66,185
<u>FUND BALANCE, BEGINNING OF YEAR</u>	395,964	329,779
<u>FUND BALANCE, END OF YEAR</u>	\$ 525,400	\$ 395,964
Reconciliation of net change in Fund Balance	\$ 129,436	\$ 66,185
To the change in net position reported 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 are allocated over their estimated lives and reported as depreciation expense. This is the amount which capital outlays exceed depreciation in the current period.	(55,555)	(55,555)
Change in Net Position of Governmental Activities	\$ 73,881	\$ 10,630

The accompanying notes are an integral part of these financial statements.

Albion-Little River Fire Protection Dist

Statement of Net Position

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
<u>ASSETS</u>		
<u>Current Assets:</u>		
Cash	514,756	391,131
Reserved Cash	10,643	10,638
Accounts Receivable	-	-
Total Current Assets	<u>525,400</u>	<u>401,769</u>
<u>Fixed Assets:</u>		
Land	125,683	125,683
Buildings & Improvements	322,400	322,400
Firefighting Equipment	503,254	503,254
Construction-in-Progress	81,152	81,152
Less: Accumulated Depreciation	<u>(723,000)</u>	<u>(667,445)</u>
Total Fixed Assets	<u>309,489</u>	<u>365,044</u>
TOTAL ASSETS	<u>834,889</u>	<u>766,813</u>
<u>LIABILITIES</u>		
<u>Current Liabilities:</u>		
Accounts Payable	-	-
Other Current Liabilities	-	5,806
TOTAL LIABILITIES	<u>-</u>	<u>5,806</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets	309,489	365,044
Restricted	-	-
Unrestricted	<u>525,400</u>	<u>395,964</u>
TOTAL NET POSITION	<u>\$ 834,889</u>	<u>\$ 761,008</u>

The accompanying notes are an integral part of these financial statements.

Albion-Little River Fire Protection Dist

**Statement of Activities
For the Year Ended**

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
<u>EXPENSES</u>		
<u>Program Expenses:</u>		
Personnel Costs	10,323	9,342
Professional Services	14,842	7,409
Transportation and Travel	12,363	17,244
Depreciation	55,555	55,555
Maintenance & Capital Outlay	98,757	57,719.8
Services, Supplies and Refunds	55,193	47,287
Total Program Expenses	<u>247,033</u>	<u>194,556</u>
TOTAL EXPENSES	<u>247,033</u>	<u>194,556</u>
<u>REVENUE</u>		
<u>Program Revenue:</u>		
Special Tax	191,133	82,880
Other Income	47,442	43,731
Total Program Revenue	<u>238,574</u>	<u>126,611</u>
<u>General Revenues:</u>		
Interest	1,035	703
Taxes and Intergovernmental	81,304	77,871
Total General Revenues	<u>82,339</u>	<u>78,574</u>
TOTAL REVENUE	<u>320,914</u>	<u>205,185</u>
<u>NET CHANGE IN NET POSITION</u>	<u>73,881</u>	<u>10,629</u>
<u>NET POSITION, BEGINNING OF YEAR</u>	<u>761,008</u>	<u>750,379</u>
<u>NET POSITION, END OF YEAR</u>	<u>\$ 834,889</u>	<u>\$ 761,008</u>

The accompanying notes are an integral part of these financial statements.

Albion-Little River Fire Protection District

NOTES TO FINANCIAL STATEMENTS June 30, 2016

NOTE 1: SUMMARY OF GENERAL AND SIGNIFICANT ACCOUNTING POLICIES

A. General

The District was formed under the provisions of Division 12, Part 3 of the Health and Safety Code of the State of California. Albion-Little River Fire Protection District is a special district in the County of Mendocino, California, providing Fire Protection to residents within its boundaries.

The District is a governed entity administered by a Board of Directors (the Board) that acts as the authoritative and legislative body of the entity.

The Board appoints the Chair (person) of the Board from existing board members. The Chair's responsibilities are to preside at all meetings of the Board; perform all duties commonly incident to the position of presiding officer of a board.

The accompanying general-purpose financial statements comply with the provisions of GASB Statement No. 14, "*The Financial Reporting Entity*," in that the financial statements include all organizations, activities, and functions that comprise the District. Component units are legally separate entities for which the District (the primary entity) is financially accountable. Financial accountability is defined as the ability to appoint a voting majority of the organization's governing body and either (1) the District's ability to impose its will over the organization or (2) the potential that the organization will provide a financial benefit to, or impose a financial burden on, the District. Using these criteria, the District has no component units.

B. Basis of Accounting/Measurement Focus

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

C. Government-Wide Financial Statements

The District Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities and Changes in Net Position. These statements present summaries of Governmental and Business-Type Activities for the District accompanied by a total column.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the District's assets and liabilities, including capital assets as well as infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the District are reported in three categories: 1) charges for services, 2)

Albion-Little River Fire Protection District

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

operating grants and contributions, and 3) capital grants and contributions.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

D. Governmental Fund Financial Statements

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net assets presented in the Government-Wide financial statements. The District has presented all major funds that met those qualifications.

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the District, are property tax, intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities demonstrating the degree to which the direct expenses of a given project are offset by project revenues. Direct expenses are those that are specifically associated with a program or function and therefore, are clearly identifiable to a particular function or segment. Program revenues include (1) charges paid by the recipients of 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 taxes are presented instead as general revenues.

Governmental Funds – Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to 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 assets and liabilities is reported as net assets. The District reports using the major governmental fund of General Fund. The District reports the following major governmental funds:

Albion-Little River Fire Protection District

NOTES TO FINANCIAL STATEMENTS June 30, 2016

General Fund – The General Fund is used to account for all financial resources of the District. The general fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of California and the bylaws of the District.

Exchange and Non-Exchange Transactions of Revenues – Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Non-exchange transactions, in which the District receives value without directly giving value in return, include taxes and donations. Revenues are recognized when susceptible to accrual, when they become both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes as available if they are collected within 60 days after year-end. The assessor of the County of Mendocino determines the assessed valuations of such property and the tax collector of the County collects the taxes. On an accrual basis, revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis.

Expenses/Expenditures- On an accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable.

E. Budgets and Budgetary Accounting

The District operates under the general laws of the State of California and annually adopts a budget to be effective July 1 for the ensuing fiscal year. Formal budgetary integration is employed as a management control device during the year for the General Fund. The level of control (level at which expenditures may not exceed budget) is the fund. Unused appropriations for all the above annually budgeted funds lapse at the end of the fiscal year. Budgeted amounts are the final authorized amount as revised during the year. Actual revenues and expenditures can be compared with related budgeted amounts without any significant reconciling items to the General Fund.

F. Cash

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. To maximize investment opportunities, the District participate in a pooling of cash and investment income with other local agencies. Each fund may liquidate its equity in the pool on demand. Investments are recorded at fair value, Fair value is based on quoted market prices.

Albion-Little River Fire Protection District

**NOTES TO FINANCIAL STATEMENTS
June 30, 2016**

Interest rate risk. - The District's policy is to seek market rates in a manner that meets liquidity requirements of the District at all times.

Credit risk. - The District only invests at institutions that the treasurer has selected on the basis of credit worthiness, financial strength and minimal capitalization authorized to provide investment service.

Custodial credit risk. -The District's investment in the State and County Treasurer's investment pools represents a proportionate interest in the pool's portfolio; however, the District's portion is not identified with specific investments and is not subject to custodial credit risk. Cash in local bank is covered by federal depository insurance.

Concentration of credit risk. - The District has a policy that seeks to maintain capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

G. Accounts Receivable

On an accrual basis, revenues from charges for services are recognized in the fiscal year in which the services are rendered. Receivables are resources provided to the District on a reimbursement basis.

H. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

I. Capital Assets

Capital assets, which include property, plant, and equipment, infrastructure assets and intangible are reported in the applicable governmental -type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an estimated useful life in excess of one year. Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Donated or contributed capital assets are recorded at their estimated fair value on the date received. The District maintains a capitalization threshold of \$2,000.

The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

J. Accounts Payable and Other Current Liabilities

On an accrual basis, expenditures are recognized in the fiscal year in which the services are received.

Albion-Little River Fire Protection District

**NOTES TO FINANCIAL STATEMENTS
June 30, 2016**

L. Net Position

The District's net position represents the difference between its assets and liabilities in the statement of net position. Net Position are reported as restricted with there are legal limitations imposed on their use by their source. Portions of the unreserved net assets or fund balance may be designated to indicate tentative plans for financial resources utilization in a future period, such as for general contingencies, purchase of capital assets, or debt service. Such plans or intent are subject to change and may never be legally authorized or result in expenses.

M. Property Tax Revenue

The District assesses tax through the Mendocino County tax rolls. Property taxes attach as an enforceable lien on property as of March 1. Taxes are levied on July 1 and payable in two installments on December and April, for the secured roll. The unsecured roll is due August 31. All taxes become delinquent if not paid on the due dates.

N. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2: USE OF RESTRICTED/UNRESTRICTED POSITION

When an expense is incurred for purposes for which both restricted and unrestricted assets are available, the District's policy is to apply restricted assets first.

NOTE 3: COMPARATIVE DATA AND RECLASSIFICATIONS

Comparative data for the prior year have been presented in certain sections of the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with current year's presentation.

NOTE 5: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; damage to, and theft or destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2016, the District contracted with private insurance for liability, property, crime damage, and employee and director insurances.

NOTE 6: CONTIGENCIES

As of June 30, 2016, the District did not have any pending litigation or potential nondisclosed liabilities that management believes would have a material effect on the financial statements.

Albion-Little River Fire Protection District

**NOTES TO FINANCIAL STATEMENTS
June 30, 2016**

NOTE 7: CONTIGENCIES

As of June 30, 2016, the District is involved in a lawsuit arising in the ordinary course of operations. In the opinion of management and the District's attorney, the outcome of these legal matters will not have a material adverse effect on the District's financial position

NOTE 8: SUBSEQUENT EVENTS

The District's management has evaluated events and transactions subsequent to June 30, 2016 for potential recognition or disclosure in the financial statements. Subsequent events have been evaluated through September 30, 2016, the date the financial statements became available to be issued. The entity has not evaluated subsequent events after September 30, 2016.