SOUTH COAST FIRE PROTECTION DISTRICT

FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

South Coast Fire Depart.
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FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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Board of Directors
South Coast Fire Protection District
Gualala, CA 95445

Independent Auditor's Report

I have audited the accompanying financial statements of the governmental activities of South Coast Fire Protection District as of and for the years ended June 30, 2016 and 2015, 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of South Coast Fire Protection District as of June 30, 2016, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis and budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing basic financial statements in an appropriate operational, economic, or historical context. My opinion on the basic financial statements is not affected by this missing information.

Michael A Celentano
Certified Public Accountant

December 20, 2016

SOUTH COAST FIRE PROTECTION DISTRICT

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2016

ASSETS	General Fund	Adjustments Note 6	Statement of Net Assets
Cash	$ 260,624	$ -	$ 260,624
Accounts receivable	16,045		16,045
Taxes receivable	30,875		30,875
Land - Note 2		52,500	52,500
Other capital assets, net of accumulated depreciation - Note 2	-	494,244	494,244
Total Assets	$ 307,544	546,744	$ 854,288
LIABILITIES			
Accounts payable	$53,195		$ 53,195
Accrued payroll	4,565		4,565
Payroll taxes payable	828		828
Long-term liabilities - Note 3			
Due within one year		53,112	53,112
Due after one year	-	56,349	56,349
Total Liabilities	58,588	109,461	168,049
FUND BALANCE / NET POSITION			
Fund balances			
Unassigned	248,956	(248,956)	-
Total Fund Balance	248,956	(248,956)	-
Total Liabilities and Fund Balances	$ 307,544	(248,956)	-
Net Position			
Investment in capital assets		437,283	437,283
Unrestricted		248,956	248,956
Total Net Position		$ 686,239	$ 686,239

See accompanying notes to the basic financial statements

sOUTH COAST FIRE PROTECTION DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
Public Safety - Fire Protection:		
Salaries	$ 51,364	$ 54,725
Payroll taxes	4,257	4,485
Insurance - compensation	10,393	11,886
Clothing	3,277	11,017
Communications	3,444	3,174
Insurance - general	9,982	16,642
Maintenance - equipment	27,924	31,481
Maintenance - building and improvements	3,232	9,990
Office expense	1,859	1,330
Audit and fiscal services	9,127	10,970
Professional services	7,876	8,385
Education and training	13,118	13,284
Rents and leases	2,100	2,100
Small tools and equipment	13,922	40,073
Transportation and travel	6,797	10,947
Utilities	4,879	4,569
Dues and memberships	4,162	3,313
Out of pocket expenses	7,240	7,109
Miscellaneous	1,407	444
Interest expense	6,486	8,251
Depreciation	172,834	179,057
Total Program Expenses	365,680	433,232
Program Revenues		
Assessments	232,860	233,935
Total Program Revenues	232,860	233,935
Net Program (Expense)	(132,820)	(199,297)
General Revenues		
Property taxes	154,085	150,004
Grant revenue	9,995	4,213
Interest earnings	37	29
Other revenue	6,653	8,909
Total General Revenues	170,770	163,155
Increase(Decrease) in Net Position	37,950	(36,142)
Net Position - July 1,	648,289	684,431
Net Position - June 30,	$ 686,239	$ 648,289

See accompanying notes to the basic financial statements

SOUTH COAST FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The South Coast Fire Protection District was formed on April 24, 1962 under Health and Safety Code Sections, Chapter 1, Part 3, Division 12. The Mendocino County Board of Supervisors adopted in resolution number 3956 the formation of the District.

Accounting Policies

The District's accounting and reporting policies conform to the generally accepted accounting principles (GAAP) as applicable to state and local governments

The following is a summary of the more significant policies:

Basis of Presentation

The statement of Net Position and Statement of Activities display information about the reporting District as a whole.

The District is comprised of only one fund, the General Fund. The General Fund is the primary operating fund of the District and is always classified as a major fund. It is used to account for all activities.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset is used. Revenues, expenses, gains, losses, asset and liabilities resulting from an exchange are recognized when the exchange takes place.

In the fund financial statements, government funds are presented on the modified accrual basis of accounting. Under this method, revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectable within the current period or within sixty days after year end. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

Budget

The District is required to adopt an annual budget for the District's general operations each fiscal year. The annual budget for general fund is prepared in accordance with the basis of accounting utilized by the District. The budget is amended from time-to-time as the need arises and is approved by the Board of Directors with each amendment.

Deposits and Investments

It is the District's policy for deposits and investments to either be insured by the FDIC or collateralized. The District's deposits and investments are categorized to give an indication of the level of risk assumed by the District as of June 30, 2016 and 2015. The categories are described as follows:

Category 1 Insured, registered or collateralized, with securities held by the entity or its agent in the entity's name.

Category 2 Uninsured and unregistered or collateralized, with securities held by the counter party's trust department or agent in the entity's name.

Category 3 Uninsured and unregistered, or uncollateralized, with securities held by the counter party, or its trust department or agent but not held in the entity's name.

Deposits and investments as of June 30, 2016 and 2015 consisted of Category 1 type only.

State law requires uninsured deposits of public agencies to be secured by certain state approved investment securities. The District's deposits are secured as part of an undivided collateral pool covering all of public deposits with the financial institution. The market value of the pool must be equal to at least 110% of the total public deposits held by the financial institutions.

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 amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Risk Management

The District is exposed to various risks of loss related to torts, theft to, damage to,

and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The District carries insurance for all risks. Settled claims resulting from these risks have not exceeded insurance coverage in the past three years.

Property Taxes

The County of Mendocino and not the District is responsible for collection of property taxes. The District recognizes property taxes when received from or collected by the County. Amounts levied but not collected at June 30, 2016 (delinquent property taxes) have not been reported since these amounts could not be readily determined.

Property, Plant and Equipment

The accounting treatment over property, plant and equipment depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Governmental-wide statements: In the governmental-wide statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated assets which are recorded at their estimated fair market value at the time of the donation.

Depreciation of plant, property and equipment is recorded as an expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the estimated useful lives using the straight-line method of accounting. The ranges of estimated useful lives are as follows:

Building and improvements	30 years
Rescue vehicles and Fire fighting equipment	5-10 years

Fund Financial Statements: In the fund financial statements, property, plant and equipment used in governmental operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Long – Term Liabilities

The accounting treatment of long-term liabilities depends on whether the assets are used in governmental fund operations or whether they are reported in government-wide or fund financial statements.

All long-term liabilities to be repaid from governmental resources are reported as liabilities in the government-wide statements. The long-term liabilities consists of a mortgage payable, equipment lease and unfunded workmen's compensation liabilities.

Long-term liabilities for governmental funds are not reported as liabilities in the fund financial statements. The liability proceeds are reported as other financing sources and payments of principal and interest as expenditures.

Equity Classifications

Government-wide statements

Equity is classified as net assets and displayed as follows:

a. Invested in capital assets – consists of capital assets net of accumulated depreciation and reduced by outstanding liabilities used for acquisition, construction or improvement of these assets.

b. Unrestricted net assets – All other net assets that do not meet the definition of "investment in capital assets, net of unrelated debt".

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as non-spendable, restricted, committed, assigned or unassigned.

Note 2 - Property, Plant and Equipment

Property, plant and equipment activity for the years ended June 30, 2016 and 2015 were as follows:

	Balance 7/1/14	Additions FY 6/30/15	Additions FY 6/30/16	Balance 6//30/16
Land	$ 52,500	$	$	$ 52,500
Building and improvements	240,020	5,902	0	245,922
Rescue vehicle and firefighting equipment	1,320,021	136,769	19,610	1,476,400
	1,612,541	142,671	19,610	1,774,822
Accumulated Depreciation	(876,187)	(179,057)	(172,834)	(1,228,078)
Totals	$ 736,354	$ (36,386)	$ (153,224)	$ 546,744

Depreciation expense was charges to public safety – fire protection in the amount of $172,834 and $179,057 for the years ended June 30, 2016 and 2015, respectively.

Note 3 - Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the fiscal years ended June 30, 2016:

	Beginning Balance 07/01/16	Additions (Repayments) 06/30/15	Additions (Repayments) 06/30/16	Ending Balance 06/30/16	Current Portion
Equipment Loans	$226,307	$ 67,500 $(90,233)	$(87,072)	$109,461	$53,112

Equipment Leases

The District has entered into two leases with the option to purchase with Westamerica Bank and two leases with the option to purchase Community First National Bank.

The first was for the purchase of a 2005 International 4400 Series Chassis and Westates pumper body with 500 gallon poly tank. The capital lease was payable in seven annual payments of $34,138.69 including interest at 4.40% per annum through October 2015. Paid off in 2015.

The second was for the purchase of a 2011 Chevy Tahoe. The capitol lease is payable in five annual payments of $11,926.49 including interest at 3.95% per annum through January 2015. Paid off in 2015.

The first lease with Community First National Bank was for the purchase of a 2014 Freightliner Tender. The capital lease is payable in five annual payments of $33,148.64 including interest at 3.190% per annum through July 2018.

The second lease with Community First National Bank was for the purchase of a 2003 Crimson Rescue. The capital lease is payable in three annual payments of $23,568.63 including interest at 2.40% per annum through December 2017.

Future minimum principal and interest payments are as follows:

Year ended June 30,	Principal	Interest
2017	$ 53,112	$ 3,606
2018	31,351	1,798
2019	24,998	797
	$109,461	$ 6,201

Interest expense was charges to public safety-fire protection in the amount of $ 6,486 and $8,251 for the years ended June 30, 2016 and June 30, 2015, respectively.

Note 4 - Subsequent Events

Subsequent events are those events or transactions that occur subsequent to the effective date of the financial statements, but prior to the issuance of the final reports, which may have a material effect on the financial statement or disclosures therein.

There are no subsequent events that have occurred through December 20, 2016 that meet the above definition.

Note 5 - Joint Powers Agreement

The District participates in joint ventures under joint powers (JPA) with the Fire Agencies Insurance Risk Authority (FAIRA) and Fire Agencies Self Insurance System (FASIS) for insurance purposes. The FAIRA and FASIS are joint powers agencies formed pursuant to Section 6500 et Seq., California Government Code, are comprised of California special districts, and such agencies including such districts. The relationship between the District and JPA's are such that the JPA's are not a component unit of the District for financial reporting purposes. The FAIRA and FASIS are to jointly fund and develop programs to provide stable, efficient and long term risk financing for special district. These programs are provided through collective self-insurance; the purchase of insurance coverage's; or a combination thereof.

Note 6 - Reconciliation to Statement of Net Assets

Amounts reported for governmental activities in the Statement of Net Position are different because:

Fund Balance – Governmental Funds	$248,956
Capital Assets used in the governmental activities are not financial resources and therefore not reported in the funds, net of accumulated depreciation of $1,228,078.	546,744
Long-term liabilities are not due and payable in the current period and therefore not reported in the funds	(109,461)
Net Position of Governmental Activities	$686,239