

SOUTHERN INYO FIRE PROTECTION DISTRICT

**Audit Report
June 30, 2015 and 2014**

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SOUTHERN INYO FIRE PROTECTION DISTRICT

AUDIT REPORT

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Southern Inyo Fire Protection District
Tecopa, CA

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the general fund of Southern Inyo Fire Protection District (the District) as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Qualified Opinion

The historical records of the capital assets were not sufficient and therefore, were not within the scope of our audit. We, therefore, do not give an opinion on the capital assets, which amount was undetermined.

Qualified Opinion

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion” paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of Southern Inyo Fire Protection District as of June 30, 2015 and 2014, 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

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

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

In accordance with *Government Auditing Standards*, we have also issued a report dated June 21, 2016, on our consideration of the District’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. 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 in considering the District’s internal control over financial reporting and compliance.



Roseville, California
June 21, 2016

SOUTHERN INYO FIRE PROTECTION DISTRICT

Statements of Net Position
June 30, 2015 and 2014

| | 2015 | 2014 |
|---------------------------------------|------------|------------|
| Assets | | |
| Current assets: | | |
| Cash | \$ 66,596 | \$ 49,197 |
| Accounts receivable | 3,370 | 3,814 |
| Interest receivable | 40 | 38 |
| Prepaid expenses | 6,569 | 7,104 |
| Total current assets | 76,575 | 60,153 |
| Noncurrent assets: | | |
| Equipment | 220,176 | 220,176 |
| Improvements | 13,191 | 13,191 |
| Total noncurrent assets | 233,367 | 233,367 |
| Total assets | 309,942 | 293,520 |
| Liabilities | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | 4,216 | 4,740 |
| Due to other governments | 20,000 | -- |
| Total liabilities | 24,216 | 4,740 |
| Net Position | | |
| Net investment in capital assets | 233,367 | 233,367 |
| Restricted | 28,925 | 28,860 |
| Unrestricted | 23,434 | 26,553 |
| Total net position | \$ 285,726 | \$ 288,780 |

The accompanying notes are an integral part of these financial statements

SOUTHERN INYO FIRE PROTECTION DISTRICT

Statements of Activities and Changes in Net Position
For the Years Ended June 30, 2015 and 2014

| | <u>2015</u> | <u>2014</u> |
|---|-------------------|-------------------|
| Expenses | | |
| Public protection | \$ 132,910 | \$ 114,269 |
| Total expenses | <u>132,910</u> | <u>114,269</u> |
| Program Revenues | | |
| Charges for services | <u>17,436</u> | <u>10,219</u> |
| Net program expenses | <u>(115,474)</u> | <u>(104,050)</u> |
| General Revenues | | |
| Taxes | 81,388 | 81,634 |
| Aid from other government agencies | 15,823 | 11,388 |
| Unrestricted interest and investment earnings | 78 | 73 |
| Miscellaneous | 3,603 | 3,048 |
| Donations | <u>11,528</u> | <u>19,442</u> |
| Total general revenues | <u>112,420</u> | <u>115,585</u> |
| Change in net position | (3,054) | 11,535 |
| Net position - beginning of year | <u>288,780</u> | <u>277,245</u> |
| Net position - end of year | <u>\$ 285,726</u> | <u>\$ 288,780</u> |

The accompanying notes are an integral part of these financial statements

SOUTHERN INYO FIRE PROTECTION DISTRICT

Balance Sheets
June 30, 2015 and 2014

| | <u>2015</u> | <u>2014</u> |
|--|-----------------------------|-----------------------------|
| Assets | | |
| Cash | \$ 66,596 | \$ 49,197 |
| Accounts receivable | 3,370 | 3,814 |
| Prepaid expenses | 6,569 | 7,104 |
| Interest receivable | 40 | 38 |
| | <u> </u> | <u> </u> |
| Total assets | <u>\$ 76,575</u> | <u>\$ 60,153</u> |
| | | |
| Liabilities | | |
| Accounts payable and accrued expenses | \$ 4,216 | \$ 4,740 |
| Due to other governments | 20,000 | -- |
| | <u> </u> | <u> </u> |
| Total liabilities | <u>24,216</u> | <u>4,740</u> |
| | | |
| Fund Balances | | |
| Restricted | 28,925 | 28,860 |
| Unassigned | 23,434 | 26,553 |
| | <u> </u> | <u> </u> |
| Total fund balances | <u>52,359</u> | <u>55,413</u> |
| | | |
| Total liabilities and fund balances | <u>\$ 76,575</u> | <u>\$ 60,153</u> |

The accompanying notes are an integral part of these financial statements

SOUTHERN INYO FIRE PROTECTION DISTRICT

Reconciliation of the Governmental Funds Balance Sheets
to the Government-Wide Statements of Net Position - Governmental Activities
June 30, 2015 and 2014

| | <u>2015</u> | <u>2014</u> |
|--|-------------------|-------------------|
| Fund Balances - total governmental funds | \$ 52,359 | \$ 55,413 |
| Amounts reported for governmental activities in the statement of net position are different because: | | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. | <u>233,367</u> | <u>233,367</u> |
| Net position of governmental activities | <u>\$ 285,726</u> | <u>\$ 288,780</u> |

The accompanying notes are an integral part of these financial statements

SOUTHERN INYO FIRE PROTECTION DISTRICT

Statements of Revenues, Expenditures, and Changes in Fund Balances
For the Years Ended June 30, 2015 and 2014

| | <u>2015</u> | <u>2014</u> |
|--|-------------------------|-------------------------|
| Revenues: | | |
| Taxes | \$ 81,388 | \$ 81,634 |
| Intergovernmental revenues | 15,823 | 11,388 |
| Revenue from use of money and property | 78 | 73 |
| Charges for services | 17,436 | 10,219 |
| Donations | 11,528 | 19,442 |
| Miscellaneous | <u>3,603</u> | <u>3,048</u> |
| Total revenues | <u>129,856</u> | <u>125,804</u> |
| Expenditures: | | |
| Public protection | | |
| Contract labor | 61,517 | 58,306 |
| Services and supplies | <u>71,393</u> | <u>55,963</u> |
| Total expenditures | <u>132,910</u> | <u>114,269</u> |
| Net change in fund balances | (3,054) | 11,535 |
| Fund balances - beginning of year | <u>55,413</u> | <u>43,878</u> |
| Fund balances - end of year | <u><u>\$ 52,359</u></u> | <u><u>\$ 55,413</u></u> |

The accompanying notes are an integral part of these financial statements

SOUTHERN INYO FIRE PROTECTION DISTRICT

Notes to Financial Statements
June 30, 2015 and 2014

NOTE 1: **GENERAL**

The District was formed by resolution in 1944 pursuant to the provisions of Chapter 2, Part 3, Division 12 and operates under Section 14001-14306 of the Health and Safety Code of the State of California. The District provides fire protection and emergency services for Southern Inyo and the surrounding area of Inyo County.

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Southern Inyo Fire Protection District (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. **Reporting Entity**

The District includes all activities (operations of its administrative staff and officers) considered to be a part of the District. The District reviewed the criteria developed by the Governmental Accounting Standards Board (GASB) in its *Codification of Governmental Accounting and Financial Reporting Standards* (the Codification), relating to the financial reporting entity to determine whether the District is financially accountable for other entities. The District has determined that no other outside entity meets the above criteria, and therefore, no agency has been included as a component unit in the financial statements. In addition, the District is not aware of any entity that would be financially accountable for the District that would result in the District being considered a component unit of any entity. The District is governed by a board of five commissioners.

B. **Basis of Presentation**

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the primary government (the District). These statements include the non-fiduciary financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. *Governmental activities*, which are normally supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on service fees. At June 30, 2015 and 2014, the District had no business-type activities.

The statement of activities demonstrates the degree to which the program expenses of a given function or identifiable activity is offset by program revenues. Program expenses are those that are clearly identifiable with a specific function or identifiable activity, and allocated indirect expenses. Interest expense related to long-term debt is reported as a direct expense. Program revenues include 1) fees, fines and charges paid by the recipient of goods, services, or privileges provided 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 and investment earnings, are presented instead as general revenues.

When both restricted and unrestricted net position is available, unrestricted resources are used only after the restricted resources are depleted.

SOUTHERN INYO FIRE PROTECTION DISTRICT

Notes to Financial Statements
June 30, 2015 and 2014

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. **Basis of Presentation** (Continued)

Fund Financial Statements

The fund financial statements provide information about the District's funds. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. The District had only one governmental fund and no enterprise funds for the years ended June 30, 2015 and 2014.

The District reports the following major governmental fund:

- The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government.

C. **Basis of Accounting**

The government-wide fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting.

Revenues are recognized when earned. Non-salary and benefit related expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Salary and benefit related expenses are recorded when incurred. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property and sales taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are apportioned and allocated by the County of Inyo. Revenues from sales tax, grants, entitlements and donations are recognized when all eligibility requirements have been met.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred. However, debt service expenditures are recorded only when payment is due. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financing sources.

D. **Non-Current Governmental Assets/Liabilities**

The Codification eliminates the presentation of accounts groups, but provides for these records to be maintained and incorporates the information into the Governmental Activities column in the government-wide statement of net position.

E. **Capital Assets**

Capital assets have been acquired for general District purposes. Assets purchased are recorded as expenditures in the governmental funds and capitalized at cost or estimated cost where no historical records are available. The District defines capital assets as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets are depreciated using the straight-line method over their estimated useful lives of 3 to 50 years in the government-wide statements. No depreciation has been recorded by the District.

SOUTHERN INYO FIRE PROTECTION DISTRICT

Notes to Financial Statements
June 30, 2015 and 2014

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Net Position/Fund Balances

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- Net Investment in Capital Assets — This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balance of debt that are attributable to capital assets reduce the balance in this category.
- Restricted Net Position — This category presents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position — This category represents net position of the District that is not restricted for any project or any other purpose.

Governmental funds report up to five different components of fund balance (nonspendable, restricted, committed, assigned and unassigned) designed to indicate both:

- Constraints on how resources of the fund can be spent, and
- The sources of those constraints

Nonspendable fund balances are amounts that cannot be spent because they are not in spendable form. Other resources reported in governmental funds are in spendable form, but cannot be spent because they are legally or contractually required to be maintained intact.

Restricted fund balances are amounts that can be spent only for specific purposes because of laws or external imposed conditions by grantors or creditors.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Board of Directors. The Board of Directors is the highest level of decision making authority for the District that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The Board of Directors (Board) may assign fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget or may authorize the Executive Director to assign fund balance.

Unassigned fund balances are all amounts not included in other spendable classifications.

G. Property Tax Revenue

Secured property taxes attach as an enforceable lien on property as of January 1st Taxes are payable in two installments on December 10th and April 10th. Unsecured property taxes are payable in one installment on or before August 31st. Tax revenues are recognized by the District when earned.

SOUTHERN INYO FIRE PROTECTION DISTRICT

Notes to Financial Statements
June 30, 2015 and 2014

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

G. **Property Tax Revenue** (continued)

The County of Inyo bills and collects the taxes for the District. The County adopted the "Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds" provided for in Revenue and Taxation Code Sections 4701-4717, commonly known as the "Teeter Plan". The Teeter Plan has no impact on tax assessments, tax rates, or collection procedures. It merely changes the way the collections of delinquent taxes and penalties are distributed among the taxing agencies. Those agencies participating in the Teeter Plan receive 100% of the secured property taxes billed each year without regard to delinquencies. The General Fund of the County of Inyo covers the delinquency amount to all agencies in return for the delinquent taxes, penalties and interest when collected.

H. **Use of 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.

I. **Fair Value of Financial Instruments**

The financial position of the District at June 30, 2015 and 2014 includes certain financial instruments that may have a fair value that is different from the value currently reflected in the financial statements. In reviewing the financial instruments of the District, certain assumptions and methods were used to determine the fair value of each category of financial instruments for which it is practicable to estimate that value. The carrying amounts of the District's financial instruments generally approximate their fair values at June 30, 2015 and 2014.

J. **New Accounting Pronouncements**

In April 2012, the Government Accounting Standards Board (GASB) issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes financial and reporting accounting standards that reclassify, as deferred outflows of resources and deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This statement is effective for periods beginning after December 15, 2012 and the adoption does not have any impact on the District's financial statements.

In April 2012, GASB issued Statement No. 66, *Technical Corrections – an amendment of GASB No. 10 and No. 62*. This statement was issued to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of GASB Statement No. 54 and No. 62. This statement is effective for periods beginning after December 15, 2012 and the adoption does not have any impact on the District's financial statements.

In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*. This statement is effective for periods beginning after June 15, 2013 and the adoption does not have any impact on the District's financial statements.

SOUTHERN INYO FIRE PROTECTION DISTRICT

Notes to Financial Statements
June 30, 2015 and 2014

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. New Accounting Pronouncements (continued)

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The principal objective of this statement is to improve the usefulness of information for decisions made by the various users of the general purpose external financial reports of governments whose employees – both active employees and inactive employees – are provided with pensions. An additional objective is to improve the information provided in government financial reports about pension-related financial support provided by certain non-employer entities that make contributions to pension plans that are used to provide benefits to the employees of other entities. This statement is effective for periods beginning after June 15, 2014 and the adoption does not have any impact on the District’s financial statements.

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This statement is effective for periods beginning after December 15, 2013 and the adoption does not have any impact on the District’s financial statements.

In April 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This statement is effective for periods beginning after June 15, 2013 and the adoption does not have any impact on the District’s financial statements.

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. This statement is effective for periods beginning after June 15, 2014 and the adoption does not have any impact on the District’s financial statements.

K. Subsequent Events

Management has evaluated subsequent events through June 21, 2016, the date the financial statements were available to be issued.

NOTE 3: CASH AND INVESTMENTS

The District holds unrestricted cash and investments with the Treasurer of the County of Inyo in a cash and investment pool. On a quarterly basis the Auditor-Controller allocates interest to participants based upon their average daily balances. The Treasurer’s investment and policies are overseen by the Inyo County Treasury Oversight Committee. Required disclosure information regarding the categorization of investments and risk can be found in the County of Inyo’s basic financial statements. The balance in the account as of June 30, 2015 and 2014 was as follows:

| | 2015 | 2014 |
|-----------------------------------|-----------|-----------|
| Southern Inyo Fire Operating Fund | \$ 37,396 | \$ 20,059 |
| Hidden Hills Project | 28,900 | 28,838 |
| Imprest cash | 300 | 300 |
| Total | \$ 66,596 | \$ 49,197 |

Government Accounting Standards Boards require additional disclosures about a government’s deposits and investment risks that include credit risk, custodial risk, concentration risk and interest rate risk. The District had no deposit or investment policy that addressed a specific type of risk.

SOUTHERN INYO FIRE PROTECTION DISTRICT

Notes to Financial Statements
June 30, 2015 and 2014

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

Required disclosures for the District's investment in the Inyo County Investment Pool at June 30, were as follows:

| | |
|------------------------------|--|
| Credit risk | Not rated |
| Custodial risk | N/A |
| Concentration of credit risk | N/A |
| Interest rate risk | 1.07 years average maturity (2015) 1.71 years average maturity (2014) |

Investments held in the County's investment pool are available on demand and are stated at cost plus accrued interest, which approximates fair value.

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 was as follows:

| | Balance July 1, 2014 | Additions | Retirements | Balance June 30, 2015 |
|---|-------------------------|--------------|--------------|--------------------------|
| Capital assets, being depreciated: | | | | |
| Machinery and equipment | \$ 220,176 | \$ -- | \$ -- | \$ 220,176 |
| Improvements | 13,191 | -- | -- | 13,191 |
| Total capital assets, not being depreciated | <u>233,367</u> | <u>--</u> | <u>--</u> | <u>233,367</u> |
| Less accumulated depreciation for: | | | | |
| Equipment | <u>--</u> | <u>--</u> | <u>--</u> | <u>--</u> |
| Total accumulated depreciation | <u>--</u> | <u>--</u> | <u>--</u> | <u>--</u> |
| Total capital assets, net | <u>\$ 233,367</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ 233,367</u> |

Capital asset activity for the year ended June 30, 2014 was as follows:

| | Balance July 1, 2013 | Additions | Retirements | Balance June 30, 2014 |
|---|-------------------------|--------------|--------------|--------------------------|
| Capital assets, being depreciated: | | | | |
| Machinery and equipment | \$ 220,176 | \$ -- | \$ -- | \$ 220,176 |
| Improvements | 13,191 | -- | -- | 13,191 |
| Total capital assets, not being depreciated | <u>233,367</u> | <u>--</u> | <u>--</u> | <u>233,367</u> |
| Less accumulated depreciation for: | | | | |
| Equipment | <u>--</u> | <u>--</u> | <u>--</u> | <u>--</u> |
| Total accumulated depreciation | <u>--</u> | <u>--</u> | <u>--</u> | <u>--</u> |
| Total capital assets, net | <u>\$ 233,367</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ 233,367</u> |

The District did not record depreciation expense during the years ended June 30, 2015 and 2014 as required by the Codification.

SOUTHERN INYO FIRE PROTECTION DISTRICT

Notes to Financial Statements
June 30, 2015 and 2014

NOTE 5: FUND BALANCES

The district's fund balances at June 30, 2015 and 2014 were as follows:

| | <u>2015</u> | <u>2014</u> |
|--------------------------------------|------------------|------------------|
| Restricted: | | |
| Cash, for future consulting services | \$ 28,860 | \$ 30,311 |
| Total restricted | <u>28,860</u> | <u>30,311</u> |
| Unassigned | <u>23,499</u> | <u>25,102</u> |
| Total fund balance | <u>\$ 52,359</u> | <u>\$ 55,413</u> |

NOTE 6: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; general liability and natural disasters. The District has secured commercial lines of coverage for these types of losses.

REQUIRED SUPPLEMENTARY INFORMATION

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SOUTHERN INYO FIRE PROTECTION DISTRICT

Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2015

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|------------------|------------------|-------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Taxes | \$ 82,634 | \$ 82,634 | \$ 81,388 | \$ (1,246) |
| Use of money and property | 100 | 100 | 78 | (22) |
| Intergovernmental revenues | 15,573 | 15,573 | 15,823 | 250 |
| Charges for services | 20,000 | 20,000 | 17,436 | (2,564) |
| Donations | 15,000 | 15,000 | 11,528 | (3,472) |
| Other revenues | 3,500 | 3,500 | 3,603 | 103 |
| Total Revenues | <u>136,806</u> | <u>136,806</u> | <u>129,856</u> | <u>(6,950)</u> |
| Expenditures | | | | |
| Contract labor | 61,000 | 61,000 | 61,517 | (517) |
| Services and supplies | 73,201 | 73,201 | 71,393 | 1,808 |
| Total Expenditures | <u>134,201</u> | <u>134,201</u> | <u>132,910</u> | <u>1,291</u> |
| Net Change in Fund Balances | <u>2,605</u> | <u>2,605</u> | <u>(3,054)</u> | <u>(5,659)</u> |
| Fund Balances, Beginning of Year | <u>55,413</u> | <u>55,413</u> | <u>55,413</u> | <u>--</u> |
| Fund Balances, End of Year | <u>\$ 58,018</u> | <u>\$ 58,018</u> | <u>\$ 52,359</u> | <u>\$ (5,659)</u> |

SOUTHERN INYO FIRE PROTECTION DISTRICT

Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2014

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|------------------|------------------|-------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Taxes | \$ 82,634 | \$ 82,634 | \$ 81,634 | \$ (1,000) |
| Use of money and property | 100 | 100 | 73 | (27) |
| Intergovernmental revenues | 17,791 | 17,791 | 11,388 | (6,403) |
| Charges for services | 35,000 | 35,000 | 10,219 | (24,781) |
| Donations | 10,403 | 10,403 | 19,442 | 9,040 |
| Miscellaneous | 2,500 | 2,500 | 3,048 | 548 |
| Total Revenues | <u>148,427</u> | <u>148,427</u> | <u>125,804</u> | <u>(22,623)</u> |
| Expenditures | | | | |
| Contract labor | 73,369 | 73,369 | 58,306 | 15,063 |
| Services and supplies | 74,581 | 74,581 | 55,963 | 18,618 |
| Total Expenditures | <u>147,950</u> | <u>147,950</u> | <u>114,269</u> | <u>33,681</u> |
| Net Change in Fund Balances | <u>477</u> | <u>477</u> | <u>11,535</u> | <u>11,058</u> |
| Fund Balances, Beginning of Year | <u>43,878</u> | <u>43,878</u> | <u>43,878</u> | <u>--</u> |
| Fund Balances, End of Year | <u>\$ 44,355</u> | <u>\$ 44,355</u> | <u>\$ 55,413</u> | <u>\$ 11,058</u> |

SOUTHERN INYO FIRE PROTECTION DISTRICT

Notes to Required Supplementary Information
June 30, 2015 and 2014

BUDGETARY BASIS OF ACCOUNTING

The District operates under the general laws of the State of California and annually adopts a budget to be effective July 1 of the ensuing fiscal year. Formal budgetary integration is employed as a management control device during the year for all governmental fund types. The level of control (level at which expenditures may not exceed budget) is the fund. Unused appropriations for all of the above annually budgeted funds lapse at the end of the fiscal year.

Budgets are adopted on a modified accrual basis. Budget information is presented for all funds budgeted. The District makes adjustments to its original budget during the year. This enables the effectiveness of individual departments in meeting budget objectives to be evaluated and the adequacy of the budget itself to be judged. The only exceptions to this are the appropriations of unanticipated revenues and the revision of appropriations to reflect major economic up or down turns materially affecting estimated revenues. Expenditures in excess of budgeted amounts are approved individually by the Board.

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OTHER REPORT

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

Board of Directors
Southern Inyo Fire Protection District
Tecopa, California

We have audited in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the general fund of Southern Inyo Fire Protection District as of and for the years ended June 30, 2015 and 2014 and the related notes to the financial statements, which collectively comprise Southern Inyo Fire Protection District's basic financial statements and have issued our report thereon dated June 21, 2016.

Internal Control over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of finding and response to be a material weakness (2015-01).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southern Inyo Fire Protection District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and 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 that are required to be reported under *Government Auditing Standards*.

Southern Inyo Fire Protection District's Response to Finding

Southern Inyo Fire Protection District's response to the finding identified in our audit is described in the accompanying schedule of finding and response. Southern Inyo Fire Protection District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

A handwritten signature in cursive script that reads "Gallina LLP".

Roseville, California
June 21, 2016

SOUTHERN INYO FIRE PROTECTION DISTRICT

Finding and Response
June 30, 2015 and 2014

Finding 2015-01: MATERIAL WEAKNESS

CAPITAL ASSETS

Condition

The district does not record depreciation on its capital assets.

Effect of Condition

The District's financial statements are not in accordance with generally accepted accounting principles because the District does not record depreciation, and therefore, the total assets and total net position are overstated on the financial statements.

Recommendation

We recommend that the District maintain a detailed current listing of capital assets at the assets' historical cost at the time of acquisition, or if the asset was donated to the District, the fair market value at the time of donation. This listing should include:

- a. Description of the asset
- b. Date of acquisition
- c. Historical cost to acquire the asset, or fair market value if the asset was donated
- d. Estimated useful life of the asset for depreciable assets such as equipment and buildings and improvements
- e. Accumulated depreciation of the asset, if applicable
- f. Net book value of the asset

The listing should be updated annually to reflect current year additions and dispositions.

Management Response

Management did not respond