

**LOMA RICA-BROWNS VALLEY
COMMUNITY SERVICES DISTRICT
FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

**LOMA RICA-BROWNS VALLEY
COMMUNITY SERVICES DISTRICT
JUNE 30, 2016 AND 2015**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Loma Rica-Browns Valley
Community Services District
Loma Rica, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund of the Loma Rica-Browns Valley Community Services District (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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and the major funds of the District, as of June 30, 2016 and 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year 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 management's discussion and analysis and budgetary comparison information on pages 3 to 7 and 20 to 21 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 2018, 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 solely 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 effectiveness of the District's 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.



Jensen Smith
Certified Public Accountants
Lincoln, California
June 11, 2018

**LOMA RICA-BROWNS VALLEY
COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

As Management of the Loma Rica-Browns Valley Community Services District (the District), we offer readers of the District's financial statements the following comments and analysis of the financial activities of the District for the fiscal years ended June 30, 2016 and 2015. This presentation is designed to provide an overview of the District's financial activity, (b) assist the reader in focusing on significant financial issues, (c) identify major changes in the District's financial position, and (d) identify material variations from the approved financial budgetary plan.

We encourage the readers to consider the information presented here in conjunction with the financial statements, which begin on page 7 of this report.

Financial Highlights

- In the Statement of Activities the net gain in fiscal year 2015-2016 was \$303,837 and \$122,149 in fiscal year 2014-2015. This increased the District's total net position by \$303,837 in fiscal year 2015-2016 and \$122,149 in fiscal year 2014-2015.
- Operating revenues for fiscal year 2015-2016 were \$622,533 and \$428,390 in fiscal year 2014-2015. Revenues in fiscal year 2015-2016 saw increases of \$194,143 from fiscal year 2014-2015 revenues, mostly due to the District continuing to rent equipment to the California Department of Forestry. There was also an increase in fiscal year 2014-2015 of \$76,103 from fiscal year 2013-2014 revenues, primarily due to an increase in revenue from renting equipment to the California Department of Forestry.
- Operating expenses for fiscal year 2015-2016 were \$318,696. This is an increase in of \$12,455 from fiscal year 2014-2015. Operating expenses for fiscal year 2014-2015 were \$306,241. This is an increase of \$23,628 from fiscal year 2013-2014 expenses.

Using this Annual Report

The annual report consists of the following series of financial information:

- (1) Independent Auditor's Report,
- (2) Management's Discussion and Analysis,
- (3) Governmental Funds Balance Sheet/Statement of Net Position,
- (4) Statement of Revenues, Expenditures and Changes in Fund Balances/Statement of Activities, and
- (5) Notes to Financial Statements.

This report consists of two combined financial statements: the Governmental Funds Balance Sheet/Statement of Net Position and the Statement of Revenues, Expenditures and Changes in Fund Balances/Statement of Activities (Pages 8 through 11). The columns of these statements entitled General Fund, Special Revenue Fund and Total, illustrate how the governmental type activities were financed in the short term, as well as what remains for future spending. The columns of these statements titled Statement of Net Position, and Statement of Activities provide information about the financial activities of the District as a whole and a longer view of the District's finances.

Government-wide Financial Statements and Fund Financial Statements

The District has only governmental type funds; the General Fund and the Special Revenue Fund. The government-wide financial statements and the fund financial statements have been combined because the District is only reporting on these two governmental funds. The government-wide information is included in the columns Statement of Net Position and Statement of Activities, on pages 7 through 10, and is designed to provide readers with a broad overview of the District as a whole and about its activities for the current period. They include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting methods used in the private sector. In this method, all of the current year's revenues and expenses are taken into account regardless of when cash is paid or received.

The fund financial statement information is included in the columns General Fund, Special Revenue Fund, and Total. This information focuses on how money flows into and out of the funds and the balances left at period end that are available for spending. The funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund information provides a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine what resources are available to be spent in the near future.

Notes to Financial Statements provide additional information, which is essential to a full understanding of the data provided in the audited financial statements.

Condensed Financial Information

The difference between assets and liabilities is one way to measure the District's financial health. Increases or decreases in net position may be an indicator of whether the District's financial condition is improving or deteriorating. In fiscal year 2015-2016 the District's net position increased from \$2,294,435 in fiscal year 2014-2015 to \$2,598,272; an increase of \$303,837. The District's net position increased from \$2,172,286 in fiscal year 2013-2014 to \$2,294,435 in fiscal year 2014-2015; an increase of \$122,149.

Unrestricted net position is the portion of net position that can be used to finance day-to-day operations without constraints established by bond covenants, other legal requirements, or District restrictions.

Table 1 and 1.1 display a summary breakdown of the District's net position at June 30, 2016 and 2015:

TABLE 1
Net Position

<u>June 30, 2016</u>	
Current and Other Assets	\$ 1,927,441
Net Capital Assets	891,878
Total Assets	<u>2,819,319</u>
Current Liabilities	221,047
Total Liabilities	<u>221,047</u>
Net Position:	
Invested in Capital Assets, net of accumulated depreciation	891,878
Restricted	74,671
Unrestricted	1,631,723
Total Net Position	<u><u>\$ 2,598,272</u></u>

TABLE 1.1
Net Position

<u>June 30, 2015</u>	
Current and Other Assets	\$ 1,435,744
Net Capital Assets	966,254
Total Assets	<u>2,401,998</u>
Current Liabilities	107,563
Total Liabilities	<u>107,563</u>
Net Position:	
Invested in Capital Assets, net of accumulated depreciation	966,254
Restricted	43,875
Unrestricted	1284,306
Total Net Position	<u><u>\$ 2,294,435</u></u>

Table 2 provide s of the District’s changes in net position for the last two fiscal years.

TABLE 2
Changes in Net Position

	2015-2016	2014-2015
Total Revenues	\$ 622,533	\$ 428,390
Total Expenditures	318,696	306,241
Increase (Decrease) in Net Position	<u>\$ 303,837</u>	<u>\$ 122,149</u>

Budgetary Highlights

The 2015-2016 operating and capital budget was discussed and approved at the Board of Director's Meeting in June 2015. The District's 2014-2015 operating and capital budgets were discussed and approved at the Board of Director's Meeting in July 2014. The general operating fund budget to actual comparison for fiscal years 2015-2016 and 2014-2015 is on pages 20 and page 21 of this report. General fund revenues for fiscal year 2015-2016 exceeded budget by \$286,737; while actual expenses under budget by \$74,475. General fund revenues for fiscal year 2014-2015 exceeded budget by \$88,206; while actual expenses under budget by \$97,822.

Capital Assets and Debt Administration

The District's investment in capital assets as of June 30, 2016 totaled \$891,878 which is net of accumulated depreciation of \$1,191,320. The changes in the capital assets are shown in Table 3 below.

TABLE 3
Changes in Capital Assets

	Balance 6/30/15	Additions	Disposals	Balance 6/30/16
General Fund Assets	\$ 677,287	\$ 24,031	\$ -	\$ 701,318
Special Revenue Fund Assets	1,381,880	-	-	1,381,880
Total Equipment	2,059,167	24,031	-	2,083,198
Less: Accumulated Depreciation	(1,092,913)	(98,407)	-	(1,191,320)
Net Capital Assets	\$ 966,254	\$ (74,376)	\$ -	\$ 891,878

The District's investment in capital assets as of June 30, 2015 totaled \$966,254 which is net of accumulated depreciation of \$1,092,913. The changes in the capital assets are shown in Table 3.1 below.

TABLE 3.1
Changes in Capital Assets

	Balance 6/30/14	Additions	Disposals	Balance 6/30/15
General Fund Assets	\$ 700,592	\$ 25,494	\$ (48,799)	\$ 677,287
Special Revenue Fund Assets	1,331,971	49,909	-	1,381,880
Total Equipment	2,032,563	75,403	-	2,059,167
Less: Accumulated Depreciation	(1,034,555)	(107,157)	48,799	(1,092,913)
Net Capital Assets	\$ 998,008	\$ (31,754)	\$ -	\$ 966,254

Long-term Debt

The District did not have any long-term debt at June 30, 2016 or June 30, 2015.

Economic Factors and Next Year's Budget

The District will continue the following policies:

- Annual evaluation of first responder medical aid services and fire protection provided to its residents and the revenues required to maintain an adequate level of both.
- Annual evaluation of assessment rates and revenue generated versus sustained service levels bearing in mind that any change in assessment rates must be approved by a 2/3 vote of District residents.
- Annual evaluation of fire mitigation fee structure and subsequent funding of those capital assets required to meet the service needs of the added protection inventory.
- Recognizing the largest single expense is the Schedule A service contract with the California Department of Forestry and Fire Protection (Amador Contract), the Board will continue its practice of cost/benefit analysis to ensure provided service levels and benefits equate with overall associated costs and supporting District revenue.
- Annual evaluation of the District's five-year plan to ensure future service levels and capital improvements are supported by long-term financial planning and reserve accounts.

Request for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any information provided in this report or a request for additional financial information should be directed to the District Office at 11485 Loma Rica Road, Marysville, CA 95901; (530) 741-0755.

**LOMA RICA-BROWNS VALLEY
COMMUNITY SERVICES DISTRICT
GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET POSITION
JUNE 30, 2016**

	General Fund	Special Revenue Fund	Total	Adjustments	Statement of Net Position
<u>Assets</u>					
Cash in County Investment Pool	\$ 1,834,654	\$ 74,526	\$ 1,909,180	\$ -	\$ 1,909,180
Cash in Banks	1,873	-	1,873	-	1,873
Accounts Receivable	8,260	-	8,260	-	8,260
Accrued Interest Receivable	4,090	145	4,235	-	4,235
Prepaid Expenses	3,893	-	3,893	-	3,893
Capital Assets - net of accumulated depreciation	-	-	-	891,878 ^a	891,878
Total Assets	<u>\$ 1,852,770</u>	<u>\$ 74,671</u>	<u>\$ 1,927,441</u>	<u>891,878</u>	<u>2,819,319</u>
<u>Liabilities & Fund Balances</u>					
Liabilities:					
Accounts Payable	\$ 220,369	\$ -	\$ 220,369	\$ -	220,369
Payroll Liabilities	678	-	678	-	678
Total Liabilities	<u>221,047</u>	<u>-</u>	<u>221,047</u>	<u>-</u>	<u>221,047</u>
Fund Balances:					
Nonspendable	3,893	-	3,893	(3,893)	-
Restricted	-	74,671	74,671	(74,671)	-
Committed	1,256,051	-	1,256,051	(1,256,051)	-
Unassigned	371,779	-	371,779	(371,779)	-
Total Fund Balances	<u>1,631,723</u>	<u>74,671</u>	<u>1,706,394</u>	<u>(1,706,394)</u>	<u>-</u>
Total Liabilities & Fund Balances	<u>\$ 1,852,770</u>	<u>\$ 74,671</u>	<u>\$ 1,927,441</u>		
Net Position:					
Invested in Capital Assets, net of accumulated depreciation				891,878	891,878
Restricted				74,671	74,671
Unrestricted				1,631,723	1,631,723
Total Net Position				<u>\$ 2,598,272</u>	<u>\$ 2,598,272</u>

a Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

See accompanying notes.

**LOMA RICA-BROWNS VALLEY
COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES / STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

	General Fund	Special Revenue Fund	Total	Adjustments	Statement of Activities
Revenues:					
Program Revenues:					
Property Taxes	\$ 4,209	\$ -	\$ 4,209	\$ -	\$ 4,209
Assessments	291,483	-	291,483	-	291,483
Grant and Other Revenue	5,353	-	5,353	-	5,353
Mitigation Fees	-	30,353	30,353	-	30,353
General Revenues:					
Interest	12,570	443	13,013	-	13,013
Current Service/Equipment Rental	278,122	-	278,122	-	278,122
Total Revenues	<u>591,737</u>	<u>30,796</u>	<u>622,533</u>	<u>-</u>	<u>622,533</u>
Expenditures:					
Current General Governmental:					
Amador Contract	125,720	-	125,720	-	125,720
Wages	12,600	-	12,600	-	12,600
Payroll Taxes	1,179	-	1,179	-	1,179
Workers Compensation	893	-	893	-	893
Health & Safety	2,015	-	2,015	-	2,015
Volunteer Reimbursements	7,381	-	7,381	-	7,381
Professional Fees	6,675	-	6,675	-	6,675
Training	340	-	340	-	340
Fire Station Expenses	12,107	-	12,107	-	12,107
Insurance	11,425	-	11,425	-	11,425
Office Expenses	1,943	-	1,943	-	1,943
Licenses and Fees	44	-	44	-	44
Dues and Publications	402	-	402	-	402
Joint Powers	1,250	-	1,250	-	1,250
Maintenance and Repairs	27,148	-	27,148	-	27,148
Fuel	2,444	-	2,444	-	2,444
Miscellaneous	-	-	-	-	-
Public Relations	545	-	545	-	545
Radio Expenses	2,722	-	2,722	-	2,722
Supplies	3,456	-	3,456	-	3,456
Capital Outlay	10,235	-	10,235	(10,235) a	-
Building Construction	13,796	-	13,796	(13,796) a	-
Depreciation	-	-	-	98,407 b	98,407
Total Expenditures	<u>244,320</u>	<u>-</u>	<u>244,320</u>	<u>74,376</u>	<u>318,696</u>
Excess of Revenues over Expenditures	347,417	30,796	378,213	(378,213)	-
Change in Net Position				303,837	303,837
Fund Balances/Net Position:					
Beginning of the year	1,284,306	43,875	1,328,181		2,294,435
Prior Period Adjustment					
End of the year	<u>\$ 1,631,723</u>	<u>\$ 74,671</u>	<u>\$ 1,706,394</u>	<u>\$ -</u>	<u>\$ 2,598,272</u>

a Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are capitalized as fixed assets.

b Depreciation is reported in the statement of activities, but it does not require the use of current financial resources, therefore it is not reported as an expenditure in the governmental funds.

See accompanying notes.

**LOMA RICA-BROWNS VALLEY
COMMUNITY SERVICES DISTRICT
GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET POSITION
JUNE 30, 2015**

	General Fund	Special Revenue Fund	Total	Adjustments	Statement of Net Position
<u>Assets</u>					
Cash in County Investment Pool	\$ 1,372,325	\$ 43,805	\$ 1,416,130	\$ -	\$ 1,416,130
Cash in Banks	1,173	-	1,173	-	1,173
Accounts Receivable	12,407	-	12,407	-	12,407
Accrued Interest Receivable	2,245	70	2,315	-	2,315
Prepaid Expenses	3,719	-	3,719	-	3,719
Capital Assets - net of accumulated depreciation	-	-	-	966,254 ^a	966,254
Total Assets	<u>\$ 1,391,869</u>	<u>\$ 43,875</u>	<u>\$ 1,435,744</u>	<u>966,254</u>	<u>2,401,998</u>
<u>Liabilities & Fund Balances</u>					
Liabilities:					
Accounts Payable	\$ 106,862	\$ -	\$ 106,862	\$ -	106,862
Payroll Liabilities	701	-	701	-	701
Total Liabilities	<u>107,563</u>	<u>-</u>	<u>107,563</u>	<u>-</u>	<u>107,563</u>
Fund Balances:					
Nonspendable	3,719	-	3,719	(3,719)	-
Restricted	-	43,875	43,875	(43,875)	-
Committed	269,847	-	269,847	(269,847)	-
Unassigned	1,010,740	-	1,010,740	(1,010,740)	-
Total Fund Balances	<u>1,284,306</u>	<u>43,875</u>	<u>1,328,181</u>	<u>(1,328,181)</u>	<u>-</u>
Total Liabilities & Fund Balances	<u>\$ 1,391,869</u>	<u>\$ 43,875</u>	<u>\$ 1,435,744</u>		
Net Position:					
Invested in Capital Assets, net of accumulated depreciation				966,254	966,254
Restricted				43,875	43,875
Unrestricted				1,284,306	1,284,306
Total Net Position				<u>\$ 2,294,435</u>	<u>\$ 2,294,435</u>

a Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

See accompanying notes.

**LOMA RICA-BROWNS VALLEY
COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES / STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

	General Fund	Special Revenue Fund	Total	Adjustments	Statement of Activities
Revenues:					
Program Revenues:					
Property Taxes	\$ 4,849	\$ -	\$ 4,849	\$ -	\$ 4,849
Assessments	289,807	-	289,807	-	289,807
Grant and Other Revenue	9,230	-	9,230	799	10,029
Mitigation Fees	-	19,944	19,944	-	19,944
General Revenues:					
Gain on Sale of Fixed Assets	5,000	-	5,000	-	5,000
Insurance Reimbursement	5,312	-	5,312	-	5,312
Interest	8,448	441	8,889	-	8,889
Current Service/Equipment Rental	84,560	-	84,560	-	84,560
Total Revenues	<u>407,206</u>	<u>20,385</u>	<u>427,591</u>	<u>799</u>	<u>428,390</u>
Expenditures:					
Current General Governmental:					
Amador Contract	102,028	-	102,028	-	102,028
Wages	12,600	-	12,600	-	12,600
Payroll Taxes	1,228	-	1,228	-	1,228
Workers Compensation	1,022	-	1,022	-	1,022
Volunteer Reimbursements	5,383	-	5,383	-	5,383
Professional Fees	10,458	-	10,458	-	10,458
Training	2,000	-	2,000	-	2,000
Fire Station Expenses	4,485	-	4,485	-	4,485
Insurance	12,431	-	12,431	-	12,431
Office Expenses	2,591	-	2,591	-	2,591
Licenses and Fees	3,400	-	3,400	-	3,400
Dues and Publications	226	-	226	-	226
Joint Powers	1,250	-	1,250	-	1,250
Maintenance and Repairs	31,151	-	31,151	-	31,151
Fuel	2,365	-	2,365	-	2,365
Miscellaneous	1,069	-	1,069	-	1,069
Public Relations	368	-	368	-	368
Radio Expenses	3,868	-	3,868	(3,868) a	-
Election Costs	208	-	208	-	208
Supplies	4,821	-	4,821	-	4,821
Capital Outlay	21,626	47,294	68,920	(68,920) a	-
Depreciation	-	-	-	107,157 b	107,157
Total Expenditures	<u>224,578</u>	<u>47,294</u>	<u>271,872</u>	<u>34,369</u>	<u>306,241</u>
Excess of Revenues over Expenditures	182,628	(26,909)	155,719	(155,719)	-
Change in Net Position				122,149	122,149
Fund Balances/Net Position:					
Beginning of the year	1,101,678	70,784	1,172,462		2,172,286
Prior Period Adjustment					
End of the year	<u>\$ 1,284,306</u>	<u>\$ 43,875</u>	<u>\$ 1,328,181</u>	<u>\$ -</u>	<u>\$ 2,294,435</u>

a Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are capitalized as fixed assets.

b Depreciation is reported in the statement of activities, but it does not require the use of current financial resources, therefore it is not reported as an expenditure in the governmental funds.

See accompanying notes.

**LOMA RICA-BROWNS VALLEY
COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

**NOTE 1 – NATURE OF THE ORGANIZATION AND SUMMARY OF
SIGNIFICANT ACCOUNTING POLICIES**

Description of the Organization

The Loma Rica-Browns Valley Community Services District (the District) was established in 1985 to provide fire protection services in the Loma Rica-Browns Valley area of Yuba County, California. Revenues are derived primarily from property taxes, a special assessment on improved parcels within the district and the countywide tax levy.

The County of Yuba collects fees for new construction within the District (Mitigation Fees), and deposits these fees into the District's fund account at the County. These fees are used to offset the increased capital costs associated with development.

The District is administered by a Board of Directors that acts as the authoritative and legislative body of the entity. None of the board members receive compensation for serving on the board.

Basis of Presentation and Accounting

Government-wide and Fund Financial Statement

The District has only governmental activities and therefore has combined the government-wide and fund financial statements.

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

**LOMA RICA-BROWNS VALLEY
COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

**NOTE 1 – NATURE OF THE ORGANIZATION AND SUMMARY OF
SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

Measurement Focus, Basis of Accounting, and Financial Statement Presentation- Continued

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

Fund Accounting

The District uses funds to maintain its financial records during the year. At June 30, 2016 and 2015, the District had two governmental funds. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

These two Governmental Funds are:

General Fund – Accounts for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund – Accounts for the proceeds of the mitigation fees collected for the specific purpose of offsetting the capital costs associated with development.

Governmental Fund Balances

The Government Accounting Standards Board (GASB) has issued Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54) This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories as noted below.

- **Nonspendable** – This category includes elements of the fund balance that cannot be spent because of their form, or because they must be maintained intact. For example:
 - Assets that will never convert to cash, such as prepaid items and inventories of supplies;
 - Assets that will not convert to cash soon enough to affect the current period, such as non-financial assets held for resale; or
 - Resources that must be held intact pursuant to legal or contractual requirements, such as revolving loan fund capital or the principal of an endowment.

**LOMA RICA-BROWNS VALLEY
COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

**NOTE 1 – NATURE OF THE ORGANIZATION AND SUMMARY OF
SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

Governmental Funds Balances - Continued

- **Nonspendable – Continued**

On June 30, 2016 and 2015, the District's nonspendable fund balance was the balance of prepaid expenses amounting to \$3,893 and \$3,719, respectively.

- **Restricted –**

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

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

On June 30, 2016 and 2015, the District's restricted fund balance was \$74,671 and 43,875, respectively.

- **Committed –**

Two criteria determine the District's fund balance:

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

Both commitments and modifications or removal must occur prior to the end of reporting period; that is, the fiscal year being reported upon. On June 30, 2016 and 2015, the District's committed fund balance was \$1,256,051 and \$269,847, respectively.

**LOMA RICA-BROWNS VALLEY
COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

**NOTE 1 – NATURE OF THE ORGANIZATION AND SUMMARY OF
SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

Governmental Funds – Continued

- **Assigned –**

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

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

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

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

- **Unassigned –**

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

On June 30, 2016 and 2015, the District’s unassigned fund balance was \$371,779 and 1,010,740, respectively.

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

**LOMA RICA-BROWNS VALLEY
COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

**NOTE 1 – NATURE OF THE ORGANIZATION AND SUMMARY OF
SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

Budget

The Board provides for a budget for the General Fund for the fiscal year in accordance with Chapter 7 of the Fire Protection District Law of 1987 as contained in the Health & Safety Code Sections 13890 and 13895, inclusive. The Board prepares a preliminary budget no later than July 1st and adopts a final budget no later than October 31st. Supplemental appropriations are adopted throughout the year as necessary.

Estimates

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

Fixed Assets

Fixed assets are recorded as expenditures when purchased in the governmental fund financial statements, and capitalized and depreciated in the government-wide financial statements.

Capital assets are capitalized at acquisition cost and donated equipment is recorded at the fair market value at the time of donation. The District does not possess any infrastructures. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not.

Depreciation for the government-wide financial statements is calculated using the straight-line method over the estimated life of the asset.

The estimated useful lives for depreciation purposes are as follows:

Buildings	20-40 Years
Equipment	5-12 Years

Cash

Most cash is pooled for investment purposes and held by the County of Yuba. Interest is apportioned to the District based on the average daily balance on deposit with the County of Yuba.

**LOMA RICA-BROWNS VALLEY
COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 2 – SPECIAL TAX COLLECTIONS

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

NOTE 3 – FUND BALANCE

The District has the option each year to request that the excess revenues over expenditures in the general fund be appropriated to either the committed or unassigned fund balance. The committed fund balance is intended to be used towards the purchases of larger capital expenditures and to cover any budget shortfalls that may occur.

NOTE 4 – CREDIT RISK, CARRYING VALUE AND MARKET VALUE OF INVESTMENTS

Cash at June 30, 2016 and 2015, excluding \$1,873 and \$1,173 respectively, which was held as petty cash, is pooled for investment purposes and held by Yuba County. Interest is apportioned based on the average daily balances on deposit with the County. The Yuba County Treasury is an external investment pool for the District and the District is considered an involuntary participant.

The investments made by the Treasurer are regulated by the California Government Code and by the County's investment policy. Investments are monitored by the Treasury Oversight Committee established by the County. The oversight committee and the Board of Supervisors review and approve the investment policy annually.

The District adopted Governmental Accounting Standards Board (GASB) Statement No. 31 "Accounting for Financial Reporting and Certain Investments and for External Investment Pools" during 1998. This statement requires investments be carried at fair value if the difference between carrying value and fair value is material. At June 30, 2016 and 2015, the difference between fair value and carrying value was not considered to be material. Therefore, no adjustment was made.

The District does not own any specific identifiable investments in the pool. Information regarding categorization of cash and investments held in the county can be found in the County of Yuba's financial statements.

**LOMA RICA-BROWNS VALLEY
COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 4 – CREDIT RISK, CARRYING VALUE AND MARKET VALUE OF INVESTMENTS - CONTINUED

The carrying amount and fair value of investments as of June 30, 2016 are as follows:

Pooled Investments:	Carrying Amount	Fair Value	Difference
Yuba County	\$ 1,909,183	\$ 1,917,366	\$ (8,183)

The carrying amount and fair value of investments as of June 30, 2015 are as follows:

Pooled Investments:	Carrying Amount	Fair Value	Difference
Yuba County	\$ 1,416,132	\$ 1,417,357	\$ (1,225)

NOTE 5 – CHANGES IN FIXED ASSETS

The following is a summary of changes in fixed assets:

<u>General Fund</u>	<u>Balance at June 30, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2016</u>
Building	\$ 8,744	\$ -	\$ -	\$ 8,744
Work In Progress	-	13,796	-	13,796
Equipment	141,639	10,235	-	151,874
Vehicles	511,904	-	-	511,904
Donated	15,000	-	-	15,000
Total Capital Assets	677,287	24,031	-	701,318
Less: Accumulated Depreciation	(354,028)	(35,033)	-	(389,061)
Total Capital Assets, Net of Accumulated Depreciation	\$ 323,259	\$ (11,002)	\$ -	\$ 312,257

<u>Special Revenue Fund</u>	<u>Balance at June 30, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2016</u>
Land	\$ 175,736	\$ -	\$ -	\$ 175,736
Building	217,178	-	-	217,178
Equipment	212,122	-	-	212,122
Vehicles	776,844	-	-	726,935
Total Capital Assets	1,381,880	-	-	1,381,880
Less: Accumulated Depreciation	(738,885)	(63,374)	-	(802,259)
Total Capital Assets, Net of Accumulated Depreciation	\$ 642,995	\$ (63,374)	\$ -	\$ 579,621

**LOMA RICA-BROWNS VALLEY
COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 5 – CHANGES IN FIXED ASSETS – CONTINUED

Depreciation expense for the fiscal year ended June 30, 2016 was \$98,407.

The following is a summary of changes in fixed assets:

<u>General Fund</u>	<u>Balance at June 30, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2015</u>
Building	\$ 8,744	\$ -	\$ -	\$ 8,744
Equipment	116,145	25,494	-	141,639
Vehicles	560,703	-	(48,799)	511,904
Donated	15,000	-	-	15,000
Total Capital Assets	700,592	25,494	(48,799)	677,287
Less: Accumulated Depreciation	(367,135)	(35,692)	48,799	(354,028)
Total Capital Assets, Net of Accumulated Depreciation	\$ 333,457	\$(10,198)	\$ -	\$ 323,259

<u>Special Revenue Fund</u>	<u>Balance at June 30, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2015</u>
Land	\$ 175,736	\$ -	\$ -	\$ 175,736
Building	217,178	-	-	217,178
Equipment	212,122	-	-	212,122
Vehicles	726,935	49,909	-	776,844
Total Capital Assets	1,331,971	49,909	-	1,381,880
Less: Accumulated Depreciation	(667,420)	(71,465)	-	(738,885)
Total Capital Assets, Net of Accumulated Depreciation	\$ 664,551	\$ (21,556)	\$ -	\$ 642,995

Depreciation expense for the fiscal year ended June 30, 2015 was \$107,157.

NOTE 6 – SUBSEQUENT EVENTS

Events subsequent to June 30, 2016 and June 30, 2015 have been evaluated through June 11, 2018, the date at which the District's audited financial statements were available to be issued. No events requiring disclosure have occurred through this date.

REQUIRED SUPPLEMENTARY INFORMATION

**LOMA RICA-BROWNS VALLEY
COMMUNITY SERVICES DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL
GENERAL FUND
JUNE 30, 2016**

	<u>Original and Final Budget</u>	<u>General Fund Actual</u>	<u>Variance with Final Budget</u>
Revenues			
Property Tax and Assessments	\$ 275,000	\$ 295,692	\$ 20,692
Interest	10,000	12,570	2,570
Grant and Other Revenue	-	5,353	5,353
Current Service/Equipment Rental	20,000	278,122	258,122
Total Revenue	<u>305,000</u>	<u>591,737</u>	<u>286,737</u>
Expenditures			
Amador Contract	174,000	125,720	(48,280)
Wages	12,600	12,600	-
Payroll Taxes	1,400	1,179	(221)
Workers Compensation	6,500	893	(5,607)
Health and Safety	2,100	2,015	(85)
Volunteer Reimbursements	4,000	7,381	3,381
Professional Fees	10,900	6,675	(4,225)
Training	10,000	340	(9,660)
Fire Station Expenses	11,900	12,107	207
Insurance	12,800	11,425	(1,375)
Office Expenses	2,500	1,943	(557)
Licenses and Fees	45	44	
Joint Powers	1,250	1,250	-
Maintenance and Repairs	28,700	27,148	(1,552)
Fuel	1,055	2,444	1,389
Radio Expenses	2,725	2,722	(3)
Dues and Publications	1,000	402	(598)
Public Relations	500	545	45
Election Costs	1,480	-	(1,480)
Supplies	3,460	3,456	(4)
Capital Outlay	16,085	10,235	(5,850)
Building Construction	-	13,796	13,796
Total Expenditures	<u>305,000</u>	<u>244,320</u>	<u>(60,679)</u>
Excess of Revenues			
Over (Under) Expenditures	<u>\$ -</u>	<u>\$ 347,417</u>	<u>\$ 347,416</u>

There were no differences to reconcile the budget basis financial statements and the GAAP basis financial statements, therefore no reconciliation is shown.

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

**LOMA RICA-BROWNS VALLEY
COMMUNITY SERVICES DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL
GENERAL FUND
JUNE 30, 2015**

	<u>Original and Final Budget</u>	<u>General Fund Actual</u>	<u>Variance with Final Budget</u>
Revenues			
Property Tax and Assessments	\$ 274,000	\$ 294,656	\$ 20,656
Interest	11,000	8,448	(2,552)
Grant and Other Revenue	-	19,542	19,542
Current Service/Equipment Rental	34,000	84,560	50,560
Total Revenue	<u>319,000</u>	<u>407,206</u>	<u>88,206</u>
Expenditures			
Amador Contract	184,000	102,028	(81,972)
Wages	12,600	12,600	-
Payroll Taxes	1,400	1,228	(172)
Workers Compensation	6,500	1,022	(5,478)
Health and Safety	800	-	(800)
Volunteer Reimbursements	4,000	5,383	1,383
Professional Fees	10,900	10,458	(442)
Training	10,000	2,000	(8,000)
Fire Station Expenses	5,500	4,485	(1,015)
Insurance	12,500	12,431	(69)
Office Expenses	2,000	2,591	591
Licenses and Fees	-	3,400	
Joint Powers	1,250	1,250	-
Maintenance and Repairs	33,500	31,151	(2,349)
Fuel	8,000	2,365	(5,635)
Radio Expenses	2,000	3,868	1,868
Dues and Publications	1,000	226	(774)
Public Relations	500	368	(132)
Election Costs	10,000	208	(9,792)
Supplies	3,000	4,821	1,821
Miscellaneous	-	1,069	1,069
Capital Outlay	9,550	21,626	12,076
Total Expenditures	<u>319,000</u>	<u>224,578</u>	<u>(97,822)</u>
Excess of Revenues			
Over (Under) Expenditures	<u>\$ -</u>	<u>\$ 182,628</u>	<u>\$ 186,028</u>

There were no differences to reconcile the budget basis financial statements and the GAAP basis financial statements, therefore no reconciliation is shown.

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

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

Members of the Board of Directors
Loma Rica-Browns Valley
Community Services District
Loma Rica, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, and each major fund information of the Loma Rica-Browns Valley Community Services District (District), as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise District's basic financial statements, and have issued our report thereon dated June 11, 2018.

Internal Control over Financial Reporting

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

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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described below, that we consider to be a significant deficiency.

Finding 16-01 Reliance on Auditor for Footnote Disclosures
(uncorrected from prior year)

Condition: Management relies on the auditor to prepare for approval the footnote disclosures required for the District's financial statements to be in compliance with generally accepted accounting standards.

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

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

Effect: District must rely on auditor to prepare footnote disclosures.

Recommendation: We recommend that, if it becomes necessary for the District to issue financial statements to third party users prior to the annual audit, the District consider the cost benefit of contracting an accountant educated or trained in generally accepted accounting principles to compile full disclosure financial statements.

Response: Management has determined there is no cost-benefit to hiring an accountant familiar with generally accepted accounting principles, or contracting their external accountant to perform additional services, and feels that the financial statements currently provided are suitable for management and board decision-making and reliance upon the auditor for footnote disclosures is cost-effective. However, should the need arise for issuing full-disclosure financial statements to third-party users prior to the annual audit, management will consider the cost-benefit of hiring an accountant familiar with generally accepted accounting principles to compile full-disclosure financial statements.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance

with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

District’s Response to Findings

The District’s response to the findings identified in our audit is described above. The 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

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



Jensen Smith
Certified Public Accountants
Lincoln, California
June 11, 2018

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Lincoln, CA 95648
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June 11, 2018

To the Board of Directors of
Loma Rica-Browns Valley Community Services District
Loma Rica, California

Dear Ladies and Gentlemen,

In planning and performing our audit of the financial statements of Loma Rica-Browns Valley Community Services District (the District) for the years ended June 30, 2016 and 2015, we considered the District's internal controls in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit, we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. We reported on the District's internal control in the preceding report. This letter does not affect our reports dated June 11, 2018, on the financial statements or internal control of the District.

During our review of the District's expenditures, we noted most invoices are not initialed and dated to show approval prior to payment. Although it is the District's practice to review and approve invoices prior to payment, we recommend that all invoices be both initialed and dated to show that this procedure was performed.

We wish you a smooth and successful year. Please feel free to contact us if you have any questions.



Jensen Smith
Certified Public Accountants
Lincoln, California