

**MODESTO-CERES FIRE PROTECTION
AGENCY JOINT POWERS AUTHORITY**

FINANCIAL STATEMENTS

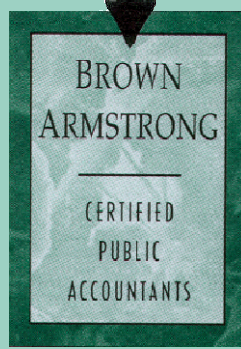
JUNE 30, 2009

**MODESTO-CERES FIRE PROTECTION
AGENCY JOINT POWERS AUTHORITY
JUNE 30, 2009**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Modesto-Ceres Fire Protection Agency Joint Powers Authority
Modesto, California

We have audited the financial statements of the governmental activities and general fund information, which collectively comprise the basic financial statements, of the Modesto-Ceres Fire Protection Agency Joint Powers Authority, as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of Modesto-Ceres Fire Protection Agency Joint Powers Authority management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and general fund of the Modesto-Ceres Fire Protection Agency Joint Powers Authority, as of June 30, 2009, and the results of its operations of the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2009, on our consideration of the Modesto-Ceres Fire Protection Agency Joint Powers Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Modesto-Ceres Fire Protection Agency Joint Powers Authority has not presented the Management Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement although not required to be part of the basic financial statements.

Bakersfield, California
November 30, 2009

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

MODESTO-CERES FIRE PROTECTION AGENCY JOINT POWERS AUTHORITY
STATEMENT OF NET ASSETS
JUNE 30, 2009

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Current Assets:	
Cash and Investments	\$ 236,565
Taxes Receivable	15,415
Interest Receivable	603
Due from County	<u>20,126</u>
Total Current Assets	<u>272,709</u>
Capital Assets	
Land	51,815
Structures and Improvements	172,654
Less Accumulated Depreciation	<u>(108,525)</u>
Total Capital Assets	<u>115,944</u>
Total Assets	<u><u>\$ 388,653</u></u>
<u>LIABILITIES</u>	
Accounts Payable	<u>\$ 262,089</u>
Total Liabilities	<u>262,089</u>
<u>NET ASSETS</u>	
Investment in Capital Assets, Net of Related Liabilities	115,944
Net Assets - Unrestricted	<u>10,620</u>
Total Net Assets	<u>126,564</u>
Total Liabilities and Net Assets	<u><u>\$ 388,653</u></u>

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

**MODESTO-CERES FIRE PROTECTION AGENCY JOINT POWERS AUTHORITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009**

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
<u>FUNCTIONS</u>					
Governmental Activities					
Fire and Ambulance Service, Other	\$ 478,870	\$ -	\$ -	\$ -	\$ (478,870)
Depreciation	4,764	-	-	-	(4,764)
Total Expenses	\$ 483,634	\$ -	\$ -	\$ -	(483,634)
<u>GENERAL REVENUES</u>					
Taxes and Subventions					
Taxes Levied for General Purposes					478,017
Interest and Investment Earnings					853
Total General Revenues Special and Extraordinary Items and Transfers					478,870
					(4,764)
					131,328
					\$ 126,564

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

**MODESTO-CERES FIRE PROTECTION AGENCY JOINT POWERS AUTHORITY
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2009**

	<u>General Fund</u>
<u>ASSETS</u>	
Cash and Investments	\$ 236,565
Taxes Receivable	15,415
Interest Receivable	603
Due from County	20,126
Total Assets	\$ 272,709
<u>LIABILITIES</u>	
Accounts Payable	\$ 262,089
Total Liabilities	262,089
<u>FUND BALANCE</u>	
Fund Balance - Unrestricted	10,620
Total Fund Balance	10,620
Total Liabilities and Fund Balance	\$ 272,709

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

**MODESTO-CERES FIRE PROTECTION AGENCY JOINT POWERS AUTHORITY
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009**

Total Fund Balance, Governmental Funds	\$ 10,620
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.

115,944

Net Assets of Governmental Activities in the Statement of Net Assets

\$ 126,564

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

**MODESTO-CERES FIRE PROTECTION AGENCY JOINT POWERS AUTHORITY
STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009**

REVENUE

Tax Revenue	\$ 478,017
Interest	853
	478,870
Total Revenue	478,870

EXPENDITURES

City of Modesto - Contract Payment	262,089
City of Ceres - Contract Payment	209,719
Services, Profession & Other	1,000
Liability Insurance	4,095
Utilities	142
Other	1,825
	1,825
Total Expenditures	478,870

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	-
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Fund Balances, July 1, 2008	10,620
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Fund Balances, June 30, 2009	\$ 10,620
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The notes to financial statements are an integral part of these statements.

**MODESTO-CERES FIRE PROTECTION AGENCY JOINT POWERS AUTHORITY
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009**

Total Net Change in Fund Balances - Governmental Funds	\$ -
Capital outlays are reported in governmental funds as expenditures. However in the statement of activities, the cost of those assets is allocated over the useful lives as depreciation expense.	
Depreciation expense	<u>(4,764)</u>
Changes in Net Assets of Governmental Activities	<u>\$ (4,764)</u>

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

**MODESTO-CERES FIRE PROTECTION AGENCY JOINT POWERS AUTHORITY
STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009**

	Original and Final Budget	Actual 2009	Variance With Final Budget
<u>REVENUE</u>			
Tax Revenue	\$ 436,632	\$ 478,017	\$ 41,385
Interest	500	853	353
	<u>437,132</u>	<u>478,870</u>	<u>41,738</u>
<u>EXPENDITURES</u>			
City of Modesto - Contract Payment	242,827	262,089	(19,262)
City of Ceres - Contract Payment	194,305	209,719	(15,414)
Services, Profession & Other	4,500	1,000	3,500
Liability Insurance	2,500	4,095	(1,595)
Utilities/Office Supplies	1,500	142	1,358
Other	2,500	1,825	675
	<u>\$ 448,132</u>	<u>478,870</u>	<u>\$ (30,738)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses		<u>-</u>	
Fund Balances, July 1, 2008		<u>10,620</u>	
Fund Balances, June 30, 2009		<u>\$ 10,620</u>	

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

MODESTO-CERES FIRE PROTECTION AGENCY JOINT POWERS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 – GENERAL STATEMENT AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

The Modesto-Ceres Fire Protection Agency Joint Powers Authority (Authority) was established by the order of the County of Stanislaus Board of Supervisors on May 8, 1950. It now operates under the Fire Protection District Law of 1987, Health and Safety Code, 13,801-13,999.

Revenue to finance the Authority's operation is derived from the County property tax rolls.

The accounting policies of the Modesto-Ceres Fire Protection Agency Joint Powers Authority conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

B. Summary of Significant Accounting Policies

The accounting and reporting policies of the Authority relating to the funds and account groups included in the accompanying general purpose financial statements conform in all material respects to generally accepted accounting principles applicable to state and local governments.

The following significant accounting policies were applied in the preparation of the accompanying financial statements:

C. Reporting Entity

The Authority's combined financial statements include the accounts of all Authority operations. The criteria for including organizations as component units within the District's reporting entity, as set forth in Section 2100 of the Government Accounting Standards Boards (GASB) Codification of Government Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the Authority holds the corporate powers of the organization
- the Authority appoints a voting majority of the organization's board
- the Authority is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is fiscal dependency by the organization on the Authority

Based on the aforementioned criteria, the Modesto-Ceres Fire Protection Agency Joint Powers Authority has no component units.

D. Government-Wide Financial Statements

The Authority's Government-Wide Financial Statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of Governmental Activities for the Authority.

NOTE 1 – GENERAL STATEMENT AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

D. Government-Wide Financial Statements (Continued)

These statements are presented on an “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all of the Authority’s assets and liabilities, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or identifiable activities are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or identifiable activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or identifiable activity. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. The general fund is the only major fund.

Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds are aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net assets and changes in net assets presented in the Government-Wide Financial Statements. The Authority has presented all major funds that met those qualifications.

All governmental funds are accounted for on a spending or “current financial resources” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the Authority, are property taxes and government grants.

Expenditures are recorded in the accounting period in which the related fund liability is incurred. An exception to this rule is principal and interest on general long-term debt which is recognized when due.

E. Government Funds

The general fund is the general operating fund of the Authority. It is used to account for all financial resources except those required to be accounted for in another fund.

Budget –

Budgets for the operating fund are prepared on the cash and expenditures/encumbrances basis. Revenues are budgeted in the year receipt is expected; and expenditures, which include encumbrances, are budgeted in the year that the applicable warrant requisitions are expected to be issued.

The budget and actual financial statements are reported on the above basis, with no material differences between them.

NOTE 1 – GENERAL STATEMENT AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

F. Budget Procedures

Annual budget requests are submitted by the District Staff to the District Board of Directors for preliminary review and approval. After public hearing, a final budget is approved by the District Board of Directors, with a resolution adopting said budget. Copies of the approved budget are sent to all required agencies.

The general fund budget is prepared within the limit on spending as regulated by Proposition 4. The insurance reserve and capital outlay reserve funds are not regulated by Proposition 4. Unencumbered appropriations for annually budgeted funds lapse at year end.

G. Property and Equipment

Property and equipment are valued at historical cost or estimated historical cost if actual is not available. Donated assets are valued at their estimated fair market value on the date donated.

H. Long-Term Debt

There was no long-term debt as of June 30, 2009.

I. Proposition #4

The Proposition #4 Appropriations Limitation for the fiscal year ending June 30, 2009 was \$812,846.

J. Property Tax

Secured property taxes attach as an enforceable lien on real property as of the 1st day of March. Taxes are payable in two installments on November 10th and March 10th, and become delinquent if not paid before December 10th and April 10th. Unsecured property taxes are billed in one installment, are due March 15th, and become delinquent if not paid on or before August 31st. The County of Stanislaus bills and collects all property taxes and remits to the District its share of the 1% property tax allocation. Tax revenues are recognized by the District when received.

K. Employees' Retirement Plan

The Authority no longer participates in the Stanislaus County retirement plan since firefighters are paid by the City of Modesto and Ceres.

L. Fund Designation

Designations of the ending fund balance indicate tentative plans for financial resources utilization in a future period. The designation for debt service represents that portion of the fund balance which the District plans to expend on debt repayment in the ensuing year.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments of the Authority are pooled with other City of Modesto funds. The Authority's portion of this pooled amount was \$236,565 at June 30, 2009. Interest earned on pooled cash and investments is credited to the funds based on each fund's average monthly cash balance. Detailed information concerning the City's pooled cash and investments, including information regarding the fair value of investments, may be found in the City's Comprehensive Annual Financial Report for the year ended June 30, 2009.

NOTE 3 – AGREEMENTS CITY OF MODESTO AND CERES

The District has entered into agreements with the City of Modesto and Ceres to provide fire fighting services in the year ended June 30, 2009. At September 1, 1993 the District no longer had employees nor incurred fire fighting expenses other than through its contract with the City of Modesto. The District still levies taxes and pays for administrative and other operating costs.

NOTE 4 – PROPERTY AND EQUIPMENT

The following is a summary of the general fixed assets:

	Balance June 30, 2008	Additions	Deletions	Balance June 30, 2009
Land	\$ 51,815	\$ -	\$ -	\$ 51,815
Buildings	172,654	-	-	172,654
Accumulated Depreciation	<u>(103,761)</u>	<u>(4,764)</u>	<u>-</u>	<u>(108,525)</u>
Totals	<u>\$ 120,708</u>	<u>\$ (4,764)</u>	<u>\$ -</u>	<u>\$ 115,944</u>

Depreciation expense for the year ended June 30, 2009 was \$4,764.

Depreciation is recorded under the straight line method as follows:

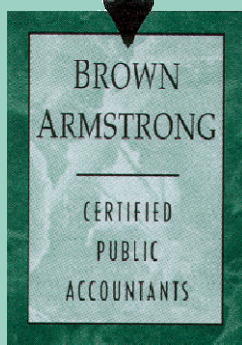
<u>Equipment</u>	<u>Years</u>
Air conditioners	10
Breathing apparatus	10
Communications equipment	10
Furniture – Office furniture	10
Vehicles – Light trucks (< 1 ton)	5
Vehicles – Regular vehicles	10
Fire trucks and apparatus	20
Buildings:	
Basic structure	45
Ventilating and heating systems	20
Air conditioning (< 5 tons)	10
Air conditioning (> 5 tons)	15
Electrical and lighting systems	20
Plumbing pipes and fixtures	20
Sidewalks, parking and landscaping	20
Improvements other than buildings:	
All other (transmission lines, storage tanks)	20
Basic structure	45
Ventilating and heating systems	20

SUPPLEMENTAL INFORMATION

**MODESTO-CERES FIRE PROTECTION AGENCY JOINT POWERS AUTHORITY
SCHEDULE OF OFFICERS
JUNE 30, 2009**

President	City of Ceres City Manager
Vice President	City of Modesto Fire Chief
Secretary	City of Modesto Fire Department Executive Secretary
City of Modesto	City of Modesto Deputy City Manager
City of Ceres	City of Ceres Deputy Fire Chief

Peter C. Brown, CPA
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
Modesto-Ceres Fire Protection Agency Joint Powers Authority
Modesto, California

We have audited the basic financial statements of the Modesto-Ceres Fire Protection Agency Joint Powers Authority (Authority) as of and for the year ended June 30, 2009, and have issued our report thereon dated November 30, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended for the information of the Authority and management. However, this report is a matter of public record and its distribution is not limited.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

A handwritten signature in black ink, appearing to read "G. A. Brown", is positioned below the company name.

Bakersfield, California
November 30, 2009