

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

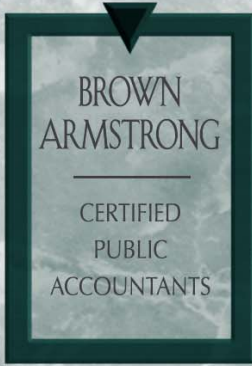
**FINANCIAL STATEMENTS**

**JUNE 30, 2014**

**MODESTO-CERES FIRE PROTECTION  
AGENCY JOINT POWERS AUTHORITY  
JUNE 30, 2014**

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# BROWN ARMSTRONG

*Certified Public Accountants*

## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and general fund information of the Modesto-Ceres Fire Protection Agency Joint Powers Authority (the Authority) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority'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 Authority'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 Authority'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.

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## 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 general fund of the Authority, as of June 30, 2014, the respective changes in financial position, and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Emphasis of Matter

As discussed in Note 1 to the financial statements, during the year ended June 30, 2014, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 65 – *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to the matter.

## Other Matters

### *Required Supplementary Information*

Management has omitted management's discussion and analysis (MD&A) 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The schedule of officers is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of officers has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2014, on our consideration of the 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 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 Authority's internal control over financial reporting and compliance.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

*Brown Armstrong*  
*Accountancy Corporation*

Bakersfield, California  
November 24, 2014

**MODESTO-CERES FIRE PROTECTION  
AGENCY JOINT POWERS AUTHORITY  
STATEMENT OF NET POSITION  
JUNE 30, 2014**

	<u>Governmental Activities</u>
<b><u>ASSETS</u></b>	
Current Assets	
Cash and Investments	\$ 472,126
Taxes Receivable	24,697
Interest Receivable	<u>683</u>
Total Current Assets	<u>497,506</u>
Capital Assets	
Land	-
Structures and Improvements	-
Less Accumulated Depreciation	<u>-</u>
Total Capital Assets	<u>-</u>
Total Assets	<u><u>\$ 497,506</u></u>
<b><u>LIABILITIES</u></b>	
Accounts Payable	<u>\$ 497,506</u>
Total Liabilities	<u>497,506</u>
<b><u>NET POSITION</u></b>	
Net Investment in Capital Assets	-
Unrestricted	<u>-</u>
Total Net Position	<u>-</u>
Total Liabilities and Net Position	<u><u>\$ 497,506</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, 2014**

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Fire and Ambulance Service, Other	\$ 518,506	\$ -	\$ -	\$ -	\$ (518,506)
Depreciation	5,424	-	-	-	(5,424)
Loss on Disposal of Assets	69,411	-	-	-	(69,411)
Total Expenses	\$ 593,341	\$ -	\$ -	\$ -	(593,341)
<b><u>GENERAL REVENUES</u></b>					
Taxes and Subventions					
					501,057
					2,422
					(2,497)
					500,982
					(92,359)
					92,359
					\$ -

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

**MODESTO-CERES FIRE PROTECTION  
 AGENCY JOINT POWERS AUTHORITY  
 GOVERNMENTAL FUND BALANCE SHEET  
 JUNE 30, 2014**

	General Fund
<b><u>ASSETS</u></b>	
Cash and Investments	\$ 472,126
Taxes Receivable	24,697
Interest Receivable	683
Total Assets	\$ 497,506
<b><u>LIABILITIES</u></b>	
Accounts Payable	\$ 497,506
Total Liabilities	497,506
<b><u>FUND BALANCE</u></b>	
Unassigned	-
Total Fund Balance	-
Total Liabilities and Fund Balance	\$ 497,506

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 BALANCE  
 GOVERNMENTAL FUND  
 FOR THE YEAR ENDED JUNE 30, 2014**

	<u>General Fund</u>
<b><u>REVENUE</u></b>	
Tax Revenue	\$ 501,057
Interest Earnings (Loss)	2,422
Change in Fair Market Value	(2,497)
Total Revenue	500,982
<b><u>OPERATING EXPENDITURES</u></b>	
Modesto Regional Fire Authority - Contract Payment	275,331
City of Ceres - Contract Payment	220,314
Services, Professional, and Other	4,800
City of Modesto - Administrative Fee	15,029
Other Expenditures	3,032
Total Operating Expenditures	518,506
Net Change in Fund Balance	(17,524)
Fund Balance, July 1, 2013	17,524
Fund Balance, June 30, 2014	\$ -

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



**MODESTO-CERES FIRE PROTECTION  
 AGENCY JOINT POWERS AUTHORITY  
 RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF  
 REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2014**

Total Net Change in Fund Balance - Governmental Fund	\$	(17,524)
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Capital outlays are reported in the governmental fund as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the useful lives as depreciation expense.

Depreciation expense		(5,424)
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In the Statement of Activities, only the gain or loss on the sales of capital assets is reported, whereas in the governmental funds, the proceeds from such sales increase financial resources. Thus, the change in net position differs from the change in fund balances by the cost of the assets sold.

Loss on Disposal of Assets		<u>(69,411)</u>
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Change in Net Position of Governmental Activities	\$	<u><u>(92,359)</u></u>
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**MODESTO-CERES FIRE PROTECTION  
AGENCY JOINT POWERS AUTHORITY  
STATEMENT OF REVENUE, EXPENDITURES, AND  
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2014**

	Original and Final Budget	Actual 2014	Variance With Final Budget
<b><u>REVENUE</u></b>			
Tax Revenue	\$ 509,782	\$ 501,057	\$ (8,725)
Interest Earnings (Loss)	2,003	2,422	419
Change in Fair Market Value	720	(2,497)	(3,217)
	<u>512,505</u>	<u>500,982</u>	<u>(11,523)</u>
<b><u>OPERATING EXPENDITURES</u></b>			
Modesto Regional Fire Authority - Contract Payment	273,719	275,331	(1,612)
City of Ceres - Contract Payment	215,065	220,314	(5,249)
Services, Professional, and Other	4,800	4,800	-
Liability Insurance	2,079	-	2,079
City of Modesto - Administrative Fee	20,402	15,029	5,373
Other Expenditures	2,441	3,032	(591)
	<u>\$ 518,506</u>	<u>518,506</u>	<u>\$ -</u>
Net Change in Fund Balance		<u>(17,524)</u>	
Fund Balance, July 1, 2013		<u>17,524</u>	
Fund Balance, June 30, 2014		<u>\$ -</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, 2014**

**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 March 13, 2007. It now operates under the Fire Protection District Law of 1987 and the Health and Safety Code, Sections 13,801-13,999.

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

The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America 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 financial statements conform in all material respects to accounting principles generally accepted in the United States of America that are 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 financial statements include the accounts of all Authority operations. The criteria for including organizations as component units within the Authority's reporting entity, as set forth in Section 2100 of the Governmental 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 Authority
- there is fiscal dependency by the organization on the Authority

Based on the aforementioned criteria, the Authority has no component units.

D. Government-Wide Financial Statements

The Authority's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. 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 Position.

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.

E. Fund Financial Statements

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

The Statement of Revenue, Expenditures, and Changes in Fund Balance 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 position and changes in net position 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 Sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balance present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net position.

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.

F. Governmental Fund

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.

G. Budget Procedures

Budget –

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

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

G. Budget Procedures (Continued)

Annual budget requests are submitted by the Authority Staff to the Authority's Board of Directors for preliminary review and approval. After public hearing, a final budget is approved by the Authority's 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 Appropriations Limitation. Unencumbered appropriations for annually budgeted funds lapse at year-end.

H. Property and Equipment

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

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	30
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

I. Long-Term Debt

There was no long-term debt as of June 30, 2014.

J. Proposition 4

The Proposition 4 Appropriations Limitation for the fiscal year ending June 30, 2014, was \$936,674.

K. Property Tax

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

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

L. Employees' Retirement Plan

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

M. Fund Balance

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned, or unassigned based primarily on the extent to which the Authority is bound to honor constraints on how specific amounts can be spent.

- **Nonspendable** – Amounts that are not in spendable form (such as inventory) or are required either legally or contractually to be maintained intact.
- **Restricted** – Amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional or enabling legislation.
- **Committed** – Amounts constrained to specific purposes by the Authority itself, using the Authority's highest level of decision-making authority (the Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the Authority takes the same highest level action to remove or change the constraint. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.
- **Assigned** – Amounts the Authority *intends* to use for a specific purpose. Intent can be expressed by the Authority at either the highest level of decision-making authority or by an official or body to which the Authority delegates the authority. This is also the classification for residual funds in the Authority's General Fund.
- **Unassigned** – The residual classification for the Authority's General Fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

The Authority establishes and modifies or rescinds fund balance commitments by passage of an ordinance or policy. This is typically done through adoption or amendment of the budget. A fund balance commitment is further indicated in the budget as a designation or commitment of the fund, such as approved construction contracts. Assigned fund balance is established by the Authority through adoption or amendment of the budget or future year budget plan as intended for a specific purpose.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, followed by the committed, assigned and unassigned resources as they are needed.

N. Accounting Standards Update

During the fiscal year ending June 30, 2014, the Authority implemented the following GASB standards:

**GASB Statement No. 65** – *Items Previously Reported as Assets and Liabilities*. The provisions of GASB Statement No. 65 are effective for financial statements beginning after December 15, 2012. There was no effect on the Authority's accounting or financial reporting as a result of implementing this standard.

**GASB Statement No. 66** – *Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62*. The provisions of GASB Statement No. 66 are effective for financial statements beginning after December 15, 2012. There was no effect on the Authority's accounting or financial reporting as a result of implementing this standard.

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

N. Accounting Standards Update (Continued)

**GASB Statement No. 67** – *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*. The provisions of GASB Statement No. 67 are effective for financial statements beginning after June 15, 2013. There was no effect on the Authority's accounting or financial reporting as a result of implementing this standard.

**GASB Statement No. 70** – *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The provisions of GASB Statement No. 70 are effective for financial statements beginning after June 15, 2013. There was no effect on the Authority's accounting or financial reporting as a result of implementing this standard.

Recently released standards by GASB affecting future fiscal years are as follows:

**GASB Statement No. 68** – *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*. The provisions of GASB Statement No. 68 are effective for financial statements beginning after June 15, 2014. The Authority has not fully judged the effect of the implementation of GASB Statement No. 68 as of the date of the basic financial statements.

**GASB Statement No. 69** – *Government Combinations and Disposals of Government Operations*. The provisions of GASB Statement No. 69 are effective for financial statements beginning after December 15, 2013. The Authority has not fully judged the effect of the implementation of GASB Statement No. 69 as of the date of the basic financial statements.

**GASB Statement No. 71** – *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB No. 68*. The provisions of this statement will be applied simultaneously with the provisions of Statement No. 68.

**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 \$472,126 at June 30, 2014. Interest earned on pooled cash and investments is credited to each participant in the pool based on each participant's average monthly cash balance. Detailed information concerning the City of Modesto's pooled cash and investments, including information regarding the fair value of investments, may be found in the City of Modesto's Comprehensive Annual Financial Report for the year ended June 30, 2014.

**NOTE 3 – AGREEMENTS WITH THE CITIES OF MODESTO AND CERES**

Firefighting services related to the City of Modesto as of July 1, 2011, are no longer under the City of Modesto, but are provided by the Modesto Regional Fire Authority. The Authority still levies taxes and pays for administrative and other operating costs. The Authority has entered into agreements with the Cities of Modesto and Ceres to provide firefighting services as of the year ended June 30, 2012.

**NOTE 4 – PROPERTY AND EQUIPMENT**

The following is a summary of the capital assets:

	<u>Balance June 30, 2013</u>	<u>Additions</u>	<u>Deletions/ Adjustments</u>	<u>Balance June 30, 2014</u>
Land	\$ 51,815	\$ -	\$ (51,815)	\$ -
Buildings	172,654	-	(172,654)	-
Accumulated Depreciation	<u>(149,634)</u>	<u>(5,424)</u>	<u>155,058</u>	<u>-</u>
Totals	<u>\$ 74,835</u>	<u>\$ (5,424)</u>	<u>\$ (69,411)</u>	<u>\$ -</u>

Depreciation expense for the year ended June 30, 2014, was \$5,424.

**NOTE 5 – DEFICIENCY OF EXPENDITURES OVER APPROPRIATIONS**

For the year ended June 30, 2014, expenditures exceeded appropriations as follows:

<u>Operating Expenditures</u>	<u>Amount</u>
Modesto Regional Fire Authority - Contract Payment	\$ 1,612
City of Ceres - Contract Payment	5,249
Other Expenditures	591

**NOTE 6 – SUBSEQUENT EVENTS**

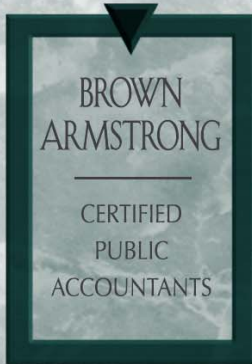
In compliance with accounting standards generally accepted in the United States of America, management has evaluated events that have occurred after year-end to determine if these events are required to be disclosed in the these basic financial statements. Management has determined that no events require disclosure in accordance with accounting standards generally accepted in the United States of America. These subsequent events have been evaluated through November 24, 2014, which is the date the basic financial statements were issued.



**SUPPLEMENTAL INFORMATION**

**MODESTO-CERES FIRE PROTECTION  
AGENCY JOINT POWERS AUTHORITY  
SCHEDULE OF OFFICERS  
JUNE 30, 2014**

President	Bryan Nicholes – City of Ceres Deputy Fire Chief
Vice President	Vacant
Secretary	Diane Rambo – City of Modesto Fire Executive Assistant
City of Modesto	James Holgersson – City of Modesto Interim City Manager
City of Ceres	Toby Wells – City of Ceres City Manager



# BROWN ARMSTRONG

*Certified Public Accountants*

## **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  
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Agency Joint Powers Authority  
Modesto, California

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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 general fund information of the Modesto-Ceres Fire Protection Agency Joint Powers Authority (Authority) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 24, 2014.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority'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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Authority'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 Authority'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.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority'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*.

## **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 Authority'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 Authority's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

*Brown Armstrong*  
*Accountancy Corporation*

Bakersfield, California  
November 24, 2014