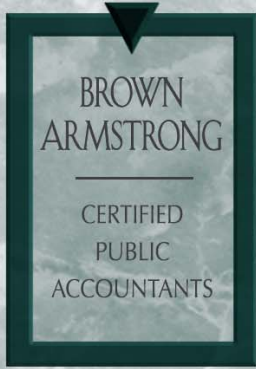


MODESTO REGIONAL FIRE AUTHORITY
SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2013

**MODESTO REGIONAL FIRE AUTHORITY
SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2013**

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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

To the Honorable Board of Directors
Modesto Regional Fire Authority
Modesto, 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 of the Modesto Regional Fire Authority, Modesto, California (the Authority), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Authority's basic financial statements, and have issued our report thereon dated January 31, 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 the 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 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.

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Compliance and Other Matters

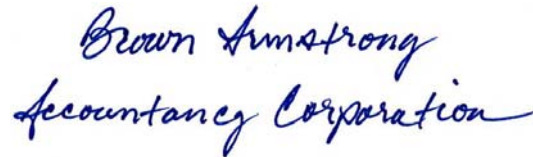
As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2013-01 and 2013-02. No other instances of non-compliance were noted.

The Authority's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority'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.

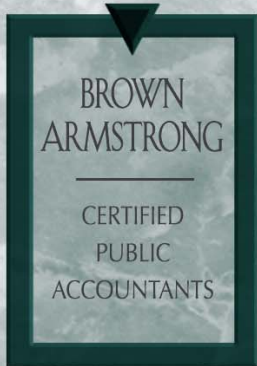
Purpose of this Report

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 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 communication is not suitable for any other purpose.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

A handwritten signature in blue ink that reads "Brown Armstrong Accountancy Corporation". The signature is written in a cursive style and is positioned below the printed name of the firm.

Bakersfield, California
January 31, 2014



BROWN ARMSTRONG

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Honorable Board of Directors
Modesto Regional Fire Authority
Modesto, California

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Report on Compliance for Each Major Federal Program

We have audited the Modesto Regional Fire Authority, Modesto, California's (the Authority) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2013. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.



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Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2013-02. Our opinion on each major federal program is not modified with respect to these matters.

The Authority's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

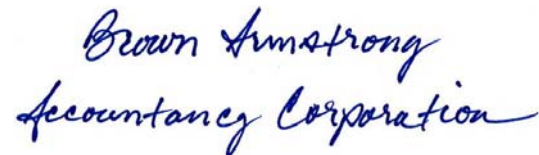
Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

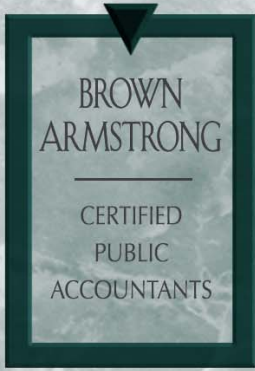
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Handwritten signature in blue ink that reads "Brown Armstrong Accountancy Corporation".

Bakersfield, California
January 31, 2014



BROWN ARMSTRONG
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the Honorable Board of Directors
Modesto Regional Fire Authority
Modesto, California

Report on the Financial Statements

We have audited the financial statements of the governmental activities and the business-type activities of the Modesto Regional Fire Authority, Modesto, California (the Authority), as of and for the year ended June 30, 2013, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated January 31, 2014.

Auditor's Responsibility

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Authority's financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information and use of the Board of Directors and management of the Authority, as well as the Authority's federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation (handwritten signature)

Bakersfield, California
January 31, 2014

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**MODESTO REGIONAL FIRE AUTHORITY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

<u>Grantor Agency and Award Title</u>	<u>Identifying Pass-Through Grant Number</u>	<u>Federal Catalog Number</u>	<u>Program Expenditures</u>
U.S. Department of Homeland Security Staffing for Adequate Fire and Emergency Response	N/A	97.083	* \$ <u>853,258</u>
Program Subtotal			<u>853,258</u>
Total Expenditures of Federal Awards			<u>\$ 853,258</u>

* Denotes major program.

See accompanying notes to schedule of expenditures of federal awards and independent auditor's report on compliance for each major program and on internal control over compliance required by OMB circular a-133.

**MODESTO REGIONAL FIRE AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 1 – REPORTING ENTITY

The Schedule of Expenditure of Federal Awards (the Schedule) includes expenditures of federal awards for the Modesto Regional Fire Authority, as disclosed in the Notes to the Basic Financial Statements.

NOTE 2 – BASIS OF ACCOUNTING

Basis of accounting refers to *when* revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus applied. All governmental funds are accounted for using the modified accrual basis of accounting. All proprietary funds are accounted for using the accrual basis of accounting. Expenditures of Federal Awards reported on the Schedule are recognized when incurred.

NOTE 3 – DIRECT AND INDIRECT (PASS-THROUGH) FEDERAL AWARDS

Federal awards may be granted directly to the Authority by a federal granting agency or may be granted to other government agencies which pass-through federal awards to the Authority. The Schedule includes both of these types of Federal award programs when they occur.

**MODESTO REGIONAL FIRE AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness identified? _____ Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X None Reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Type of auditor’s report issued on compliance for major programs: Unmodified

Internal control over major federal programs:

- Material weakness identified? _____ Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X None reported

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section .510(a)? X Yes _____ No

Identification of major programs:

<u>CFDA #(s)</u>	<u>Name of Federal Program or Cluster</u>
97.083	Staffing for Adequate Fire and Emergency Response

The threshold for distinguishing type A and B programs was \$300,000.

Auditee qualified as low-risk auditee? _____ Yes X No

SECTION II – FINANCIAL STATEMENT FINDINGS

2013-01: PURCHASE CARD USAGE

Condition:

One individual purchase card (P-Card) holder purchased breakfast for himself and other co-workers using a Modesto Regional Fire Authority (the Authority) purchase card while on an out of state business trip, but went over the allowable limits as stated in the Authority Purchase Card Policy/Travel Authorization limits threshold.

Cause:

The individual purchased breakfast for himself and his co-workers at an out-of-town conference on two separate occasions. On both occasions, he overspent, on a per person basis, more than the allowable limit for a breakfast meal.

Criteria:

All purchase card holders are required to comply with the above policies and related forms. Each person is allowed a \$10 breakfast limit.

Effect:

The use of purchase cards could be misused and overcharged for meals and other expenditures without being properly questioned or reviewed.

Recommendation:

We recommend that the Authority implement stronger controls related to the review of purchase card transactions and review all meal purchases to ensure they are in accordance with the applicable policies. If there are future instances where there are no other readily available options to have a meal under the allowance rate, we recommend the P-card holder submit reimbursement only for the allowable amounts and not the full amount of the meal purchase.

Management Response:

The restaurant was at the hotel in which the conference was hosted (which is also in downtown Phoenix, AZ), and there were no other options nearby the hotel to eat breakfast. They did not charge lunch or dinner for this trip. Additionally, the overage was not noted at the time the receipts were turned in and was a one-time occurrence.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2013-02: UNTIMELY SUBMISSION OF FINANCIAL AND PERFORMANCE REPORTS

Condition:

During our review of the report submissions for both financial and performance reporting, we noted the following reports were not issued within the required timeframe of 30 days after period end:

- Federal Financial Report SF-425 for period ending December 31, 2012
- Federal Financial Report SF-425 for period ending June 30, 2013
- Hiring Performance Report for period ending September 19, 2012
- Hiring Performance Report for period ending December 19, 2012
- Hiring Performance Report for period ending March 19, 2013
- Hiring Performance Report for period ending June 19, 2013

Cause:

The above mentioned reports were submitted after the 30-day reporting deadline for each of their respective periods.

Criteria:

In accordance with the grant agreement for the SAFER grant, the grantee must complete an on-line, semi-annual financial status report to meet FEMA requirements, and are due 30 days of the end of the six month period for the life of the grant. The quarterly reports are also due 30 days after the end of each reporting period.

Effect:

Late submission of the reports could result in the Authority falling out of compliance with grant guidelines, resulting in possible penalties or loss of grant funding.

Recommendation:

We recommend the Authority establish policies and procedures to ensure all required reports are submitted on a timely basis.

Management Response:

Management concurs with the recommendation and will work on submitting all reports on a timely basis.

SECTION IV – STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

N/A – No prior year findings and/or questioned costs reported.