

**STANISLAUS CONSOLIDATED  
FIRE PROTECTION DISTRICT**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**

**JUNE 30, 2016 AND 2015**

## Table of Contents

|  | <u>Page No,</u> |
|--|-----------------|
| Independent Auditors' Report   | 1 -2            |
| Management Discussion and Analysis   | 3 -10           |
| Basic Financial Statements   |                 |
| Government- Wide Financial Statements:   |                 |
| Statements of Net Position   | 11              |
| Statements of Activities   | 12              |
| Fund Financial Statements:   |                 |
| Balance Sheets - Governmental Funds  | 13              |
| Reconciliations of the Governmental Funds Balance Sheets<br>to the Statements of Net Position  | 14              |
| Statements of Revenues, Expenditures, and Changes in Fund Balances -<br>Governmental Funds   | 15              |
| Reconciliations of the Statements of Revenues, Expenditures, and<br>Changes in Fund Balances of Governmental Funds to the Statements<br>of Activities  | 16              |
| Notes to Financial Statements  | 17 - 37         |
| Required Supplementary Information   |                 |
| Board Members  | 38              |
| Statements of Revenues, Expenditures and Changes in<br>Fund Balance - Budget and Actual  | 39              |
| Schedule of Contributions  | 40              |
| Schedule of Local Government's Proportionate Share<br>of Net Pension Liability   | 41              |
| Other Independent Auditor's Report   | 42 - 45         |
| Independent Auditors Report on Internal Control over Financial Reporting<br>and on Compliance and Other Matters Based on an Audit of Financial<br>Statements Performed in Accordance with Government Auditing<br>Standards |                 |

# Michael R. Baudler & Donna E. Flanders

---

## Certified Public Accountants

### INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Stanislaus Consolidated Fire  
Protection District  
Riverbank, California

March 9, 2017

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Stanislaus Consolidated Fire Protection District (the 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, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2016 and 2015, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 - 10 and 38–41 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 Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Stanislaus Consolidated Fire Protection District's basic financial statements. The introductory section, combining and individual non-major fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

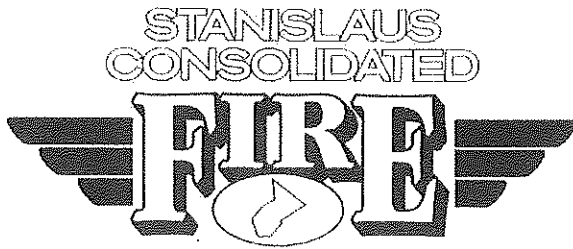
The combining and individual non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2017, on our consideration of the Stanislaus Consolidated Fire Protection 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 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 District's internal control over financial reporting and compliance.

*Baudler & Flanders, CPAs*

Modesto, California  
March 9, 2017



Stanislaus Consolidated Fire Protection District  
3324 Topeka Street  
Riverbank, CA 95367  
(209) 869-7470  
Fax (209) 869-7475

March 9, 2017

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Fiscal Year Ending June 30, 2016**

This discussion and analysis of the performance of the Stanislaus Consolidated Fire Protection District ("SCFPD") provides an overview of the District's financial activities for the fiscal year ended June 30, 2016. It is management's view of the District's financial condition with the Independent Auditor's Report, the basic financial statements and the accompanying notes to those financial statements.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The basic financial statements include two types of statements that present different views of the District:

The first two statements are District-wide financial statements that provide both short-term and long-term information about the District's overall financial status.

The remaining statements are fund-level financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.

These two kinds of statements report the District's net assets and changes in them. Net assets are the difference between assets and liabilities, which is one way to measure the District's financial health, or financial position. Generally, over time, increases and decreases in the district's net assets are one indicator of whether its financial health is improving or deteriorating.

The financial statements also include notes that explain some of the information in the statements. These notes are considered to be an integral part of the financial statements and should be considered with them when looking at the District's financial picture.

**STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT  
FINANCIAL ANALYSIS  
JUNE 30, 2016 & 2015**

|                                       | June 30,            |                     |
|---------------------------------------|---------------------|---------------------|
|                                       | <u>2016</u>         | <u>2015</u>         |
| <b>ASSETS</b>                         |                     |                     |
| Capital assets                        | \$ 4,495,145        | \$ 4,104,419        |
| Other assets                          | 11,095,526          | 11,326,588          |
|                                       | <u>15,590,671</u>   | <u>15,431,007</u>   |
| <b>Deferred outflows of resources</b> | 1,130,361           | 1,412,607           |
| <b>LIABILITIES</b>                    |                     |                     |
| Other                                 | 13,616,485          | 12,386,093          |
|                                       | <u>13,616,485</u>   | <u>12,386,093</u>   |
| <b>Deferred inflows of resources</b>  | 1,136,405           | 2,216,601           |
| <b>NET POSITION</b>                   |                     |                     |
| Investment in capital assets          | 4,495,145           | 4,104,419           |
| Restricted development fee assets     | 1,149,419           | 1,172,297           |
| Committed                             | 300,403             | 300,403             |
| Assigned                              | 1,836,689           | 2,211,120           |
| Unassigned                            | <u>(5,813,514)</u>  | <u>(5,547,318)</u>  |
| <b>TOTAL NET POSITION</b>             | <u>\$ 1,968,142</u> | <u>\$ 2,240,921</u> |
| <b>PROGRAM REVENUES</b>               |                     |                     |
| Charge for Sevices                    |                     |                     |
| Special assessments                   | \$ 6,681,879        | \$ 6,560,258        |
| Special fire assessments write-downs  | -                   | \$ (534,937)        |
| Developer & CEQA fees                 | 111,450             | 74,954              |
|                                       | <u>6,793,329</u>    | <u>6,100,275</u>    |
| <b>GENERAL REVENUES</b>               |                     |                     |
| Property tax revenue                  | 2,737,924           | 2,588,466           |
| Oakdale coverage                      | 3,445,074           | 2,948,210           |
| Use of money and property             | 50,950              | 82,241              |
| RDA pass-through revenues             | 122,141             | 133,743             |
| Reimbursements                        | 758,345             | 383,860             |
| Miscellaneous                         | 159,411             | 106,603             |
|                                       | <u>14,067,174</u>   | <u>12,343,398</u>   |
| <b>TOTAL REVENUES</b>                 | 14,067,174          | 12,343,398          |
| <b>TOTAL EXPENSES</b>                 | <u>(14,339,953)</u> | <u>(12,463,169)</u> |
| <b>CHANGE IN NET ASSETS</b>           | (272,779)           | (119,771)           |
| <b>NET ASSETS BEGINNING OF YEAR</b>   | <u>2,240,921</u>    | <u>2,360,692</u>    |
|                                       | <u>\$ 1,968,142</u> | <u>\$ 2,240,921</u> |

## FINANCIAL ANALYSIS OF DISTRICT AS A WHOLE

The District completed the year with a decrease in net assets of \$ 224,139, resulting from an increase of salaries and benefits of \$1,700,421. During the year ended June 30, 2016, The District was awarded a SAFER Grant by FEMA in the amount of \$477,123. The purpose of the grant is to hire three new fire fighters for the City of Oakdale, beginning January 15, 2016 through January 2018. The Grant is for salary and benefits. For the year ended June 30, 2016 \$48,295 of the grant was utilized.

On May 5, 2016 Stanislaus Consolidated Fire Protection District and the City of Waterford entered into an agreement to exchange parcels with the goal of constructing a new Station 34. The value of the parcels are: Parcel A owned by the City of Waterford, fair market value \$205,000, Parcel B owned by the District, fair market value \$280,000. The difference in fair market value of \$75,000 will be offset by a credit for fees collected for water connection and wastewater treatment amounting to \$76,025. Parcel A will require off-site improvements, and the estimated costs will be \$241,855. The District shall be responsible for ensuring that all the off-site improvements are completed. The City shall reimburse the District 55% of the District's total actual cost of the off-site improvements performed based on the District's installation of the other non-required off-site improvements, and include up to an additional \$75,000 for any contingencies that arise on the City's 55% portion. The reimbursements by the City will be paid in 25% annual installments beginning July 1, 2018 through July 1, 2021. The District's use of Parcel B will be necessary until Parcel A is developed. The agreed rent is \$1,500 per month for any month Parcel B is used. The District and the City agree that the City will be granted a credit against the 55% credit the City will be required to make to the District commencing July 1, 2018.

The district continued to replace aging equipment and made improvements to its facilities with purchase of:

|                                   |                   |
|-----------------------------------|-------------------|
| Water Tender                      | \$ 319,256        |
| 2 Ford Utility Vehicles           | 71,844            |
| Sit Stat System                   | 18,847            |
| Station 22 HVAC & ADA impmts      | 20,624            |
| Station 23 Fire Station Expansion | 238,524           |
| Station 34 design & engineering   | 142,822           |
| Station 23 septic system          | 45,368            |
| Station 34 bathroom remodel       | <u>10,633</u>     |
| Total                             | <u>\$ 867,918</u> |

In addition to the above acquisitions, The District identified obsolete and surplus equipment and will dispose of them in such a manner that best services the interest of the District..

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

On December 11, 2014, the Board of Directors approved District Resolution 2014-11 dissolving specific County of Stanislaus account designations and authorizing the transfer of funds from County accounts to newly designated District accounts and directed the District Staff to update the District Finance Policy. On March 12, 2015, the District adopted a new Finance Policy (Policy). The Policy established five separate components of fund balances:

**Non-spendable Funds** – inherently non-spendable. The District does not have any non-spendable fund balances.

**Restricted Funds** – externally enforceable limitations on use, imposed by law or constraints by creditors, grantors or contributors. The District currently has five restricted accounts:

1) District Fire Suppression Assessment—funds shall be expended only for the maintenance, operation, and servicing of fire suppression services and apparatus equipment.

2) Waterford/Hickman Impact fee Fund—All Waterford/Hickman Impact Fees (Unincorporated Waterford and Hickman) must be deposited in this account. These funds can only be spent on facilities and other capital purchases that benefit the Waterford/Hickman service area..

3) Waterford CEQA Fee Fund – All City of Waterford CEQA Fees must be deposited in this account. These funds can only be spent on facilities and other capital purchases that benefit the City of Waterford service area.

4) Riverbank Impact Fee Fund—All Riverbank Impact Fees (Unincorporated Riverbank) must be deposited in this account. These funds can only be spent on facilities and other capital purchases that benefit the Riverbank service area.

5) Riverbank CEQA Fee Fund— All City of Riverbank CEQA Fees must be deposited in this account. These funds can only be spent on facilities and other capital purchases that benefit the City of Riverbank service area.

**Committed Funds** – The Board of Directors may commit a fund balance for specific purposes pursuant to constraints imposed by formal actions taken through an ordinance or resolution. These committed amounts cannot be used for any other purpose unless the Board removes or changes the specific use through the same type of formal action taken to establish the commitment. Board action to commit fund balance must occur within the fiscal reporting period; however, the amount or amounts can be determined subsequently. The District has one account containing committed funds.



## **FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**-continued

1)City of Oakdale Deposit Fund – The City of Oakdale has provided the District with a deposit for contract fire protection services. These funds can only be used if the City of Oakdale defaults on payments for contract services from the District. The original deposit of \$300,380.52, plus accrued interest, must be maintained in this account unless the City of Oakdale defaults on the contract. The contract is for five years beginning September 1, 2014.

**Assigned Funds** – limitation resulting from intended use. Amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed, should be reported as assigned fund balance.

The Fire Chief has the authority to assign amounts for specific purposes of reporting these amounts in the annual financial statements. Examples of assigned fund balance may include but not limited to:

Continuing Budget Appropriations – fund balance levels must be sufficient to meet funding requirements for approved projects or other expenditures which must be carried forward into future fiscal years;

Debt Service – established to provide for future debt service obligations, which may exist from time-to-time;

Budget Balancing Measures – funds set aside for the purposes of stabilizing District services during periods of operational budget deficits, and/or to mitigate the effects of major economic uncertainties resulting from unforeseen changes in revenues and/or expenditures.

The following are Assigned Funds:

1)Employers Benefit Fund – Annually, the District conducts an actuarial study to determine the amount of funds required to cover all employee accrued leave balances. Annually, as part of the district budget process, this fund should be reviewed and revised to ensure adequate funds are available to cover accrued leave liabilities;

2)Facilities Fund – These funds are used to address capital facility upgrades, maintenance and replacement projects. The District has developed a long range facility maintenance, upgrade and replacement plan and the District's goal is to fund the plan at levels needed to support it for the long-term;

## **FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**-continued

3) *Vehicle and Apparatus Fund* – These funds have two specific purposes: 1) to be used as a contingency for unforeseen District costs that cannot be funded through the normal budgetary funding allocation. 2) as a dry period fund that allows the District to operate prior to receiving the semi-annual tax allocations. If used during dry periods, the contingency fund shall be replenished after semi-annual tax allocations. The District's goal is to maintain the fund balance at 15% of the District's annual operating budget (not including the contract agencies).

During the year ended June 30, 2016 \$390,205 was utilized for capital improvements.

**Unassigned Funds** – The District's General Fund falls under this category. Annual operating costs are funded out of this account. Payroll, supplies, non-capital equipment and professional services are funded by this account. As a result of the Finance Policy, \$2,211,120 was transfer form Unassigned Funds to Assigned Fund during the fiscal year ending June 30, 2015.

The continued improvement in the District's economy resulted in a net increase of \$119,175 over the previous year. \$122,832 was transferred to the General Fund and used for training and capital projects as discussed in Note 6 Inter-fund Transactions. The CEQA fees collected for the year was \$56,488 and development fees collected was \$54,963. In addition, the District invests excess CEQA and development fees in certificates of deposit. The interest earned during the fiscal year ended June 30, 2016 on CEQA CDs was \$5,509 and \$2,215 on development fees.

In 2011 the state legislators mandated the dissolution of the Redevelopment Agencies (RDA), which took effect in February 2012. The proceeds of this dissolution are distributed to taxing agencies based on their percentage of tax collected. For the fiscal year ended June 30, 2016 the District collected \$122,141, an \$11,602 decrease over the previous year. It is important to note that these proceeds represent one-time revenues to the District. The amount and/or timing of future RDA proceeds in the future cannot be predicted.

## **FACTORS BEARING ON THE DISTRICT'S FINANCIAL FUTURE**

Call volumes, services, and mandates have increased to the point where a review of the District's fire assessments became necessary. To maintain and increase the level of service, provide funding for personnel, operating equipment and facilities, a new special assessment was implemented ten years ago. The revenue generated by the special assessment has increased the District's ability to provide effective fire protection currently and in the future. The special assessment is not all encompassing and does not absolve the District from being fiscally responsible. With the increasing property values the District is beginning to see the beginnings of recovery from the recent economic recession.

## **FACTORS BEARING ON THE DISTRICT'S FINANCIAL FUTURE**-continued

Secured and unsecured property taxes collection increase by \$149,368 over the previous fiscal year. Special assessment increased \$114,018 over the previous year.

Effective September 1, 2014 Stanislaus Consolidated Fire Protection District (District) entered into a five-year contract to provide services to the City of Oakdale (Oakdale) and the Oakdale Fire Protection District (OFPD). The City of Oakdale has agreed to provide a \$300,364 security deposit which shall be kept in reserve. This represents one sixth of the first year's estimated annual costs of \$1,802,184. The security deposit is to be used to offset any delinquent payments. At the end of this agreement the security deposit shall be applied to the last two months of payments for services. On the first day of each month, Oakdale agrees to remit to the District one twelfth of the fiscal year budget (\$150,182 per month) beginning September 2014. The City of Oakdale transferred apparatus and equipment to the District. Oakdale is responsible for maintenance, repair and replacement of the transferred apparatus and equipment. In addition, the City of Oakdale shall maintain an equipment and apparatus replacement program with annual funding allocations to ensure funds are available to replace equipment and apparatus when they reach the end of their service life.

Oakdale will maintain ownership of Fire Stations 4, 5 and Fire Station 5 Training Annex. The District shall bear all the costs of normal preventative maintenance and repair of the facilities. The actual costs of any Public Project repair or facility equipment replacement will be the responsibility of Oakdale. Oakdale shall maintain a capital facilities maintenance program with annual funding allocations to ensure funds are available for the actual costs required to replace and /or repair facility equipment and components (e.g. roofs, HVAC Systems, exterior/interior paint) that are Public Projects.

The OFPD shall provide use of all emergency equipment, vehicles and apparatus. OFPD shall be is responsible for maintenance, repair and replacement of transferred apparatus and equipment. In addition, OFPD shall maintain an equipment and apparatus replacement program with annual funding allocations to ensure funds are available to replace equipment and apparatus when they reach the end of their service life.

OFPD will maintain ownership of Stations 1, 2 and 3. OFPD shall maintain a capital facilities maintenance program with annual funding allocations to ensure funds are available for the actual costs required to replace and /or repair facility equipment and components (e.g. roofs, HVAC Systems, exterior/interior paint) that are Public Projects.

On the first day of each month OFPD agrees to remit to the District one twelfth of the fiscal year 2015-2016 budget of \$1,801,536 (\$50,128 per month) beginning September 2014.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the revenues it receives. If you have any questions regarding this report or need additional information, contact the Stanislaus Consolidated Fire Protection District, 3324 Topeka Street, Riverbank, CA 95367.

## **GOVERNMENT – WIDE FINANCIAL STATEMENTS**

STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT  
 STATEMENTS OF NET POSITION  
 JUNE 30, 2016 & 2015

|   | JUNE 30,             |                      |
|---|----------------------|----------------------|
|   | 2016                 | 2015                 |
| <b>ASSETS</b>                                   |                      |                      |
| Cash and investments                            | \$ 10,736,565        | \$ 10,937,555        |
| Due from other governments                      | 310,317              | 333,340              |
| Capital assets, net                             | 4,495,145            | 4,104,419            |
| Bond issuance costs, net                        | 48,644               | 55,693               |
| <b>TOTAL ASSETS</b>                             | <b>\$ 15,590,671</b> | <b>\$ 15,431,007</b> |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>           | <b>1,130,361</b>     | <b>1,412,607</b>     |
| <b>LIABILITIES</b>                              |                      |                      |
| Accounts payable                                | 18,552               | 92,259               |
| Accrued payroll                                 | 367,104              | 230,143              |
| Deferred revenue                                | 227,231              | 267,337              |
| Compensated absences                            | 2,527,131            | 2,466,228            |
| Long-term debt                                  | 2,305,608            | 2,431,900            |
| Net pension liability                           | 8,170,859            | 6,898,226            |
| <b>TOTAL LIABILITIES</b>                        | <b>13,616,485</b>    | <b>12,386,093</b>    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>            | <b>1,136,405</b>     | <b>2,216,601</b>     |
| <b>NET POSITION</b>                             |                      |                      |
| Invested in capital assets, net of related debt | 4,495,145            | 4,104,419            |
| Restricted for:                                 |                      |                      |
| Development & CEQA fee reserves                 | 1,149,419            | 1,172,297            |
| Committed                                       | 300,403              | 300,403              |
| Assigned  | 1,836,689            | 2,211,120            |
| Unassigned                                      | (5,813,514)          | (5,547,318)          |
| <b>NET POSITION</b>                             | <b>\$ 1,968,142</b>  | <b>\$ 2,240,921</b>  |

The accompanying notes are an integral part of these financial statements



## **FUND FINANCIAL STATEMENTS**



STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT  
BALANCE SHEETS - GOVERNMENT FUNDS  
JUNE 30, 2016 & 2015

| 2016  |                     |                   |                     |                   |                   |                  |                   |                   |                      |          |         |
|---|---------------------|-------------------|---------------------|-------------------|-------------------|------------------|-------------------|-------------------|----------------------|----------|---------|
|   |                     |                   |                     | GEOA              |                   |                  |                   | Development Fees  |                      |          |         |
|   |                     |                   |                     | Riverbank         |                   | Hiickman         |                   | Riverbank         |                      | Hiickman |         |
| Unassigned                                    | Assigned funds      | Committed         | Total               |                   |                   |                  |                   |                   |                      |          | Total   |
| \$ 7,449,872                                  | \$ 1,836,689        | \$ 300,403        | \$ 9,586,964        | \$ 526,888        | \$ 161,420        | \$ 57,869        | \$ 293,424        | \$ 293,424        | \$ 10,736,585        |          |         |
| 1,060   | -                   | -                 | 1,060               | 2,870             | -                 | 25,697           | -                 | -                 | 29,627               |          |         |
| 310,317                                       | -                   | -                 | 310,317             | -                 | -                 | -                | -                 | -                 | 310,317              |          |         |
| <u>\$ 7,761,249</u>                           | <u>\$ 1,836,689</u> | <u>\$ 300,403</u> | <u>\$ 9,902,341</u> | <u>\$ 529,758</u> | <u>\$ 161,420</u> | <u>\$ 83,566</u> | <u>\$ 293,424</u> | <u>\$ 293,424</u> | <u>\$ 11,076,509</u> |          |         |
| ASSETS  |                     |                   |                     |                   |                   |                  |                   |                   |                      |          |         |
| Cash and investments                          |                     |                   |                     |                   |                   |                  |                   |                   |                      |          |         |
| Accounts receivable                           |                     |                   |                     |                   |                   |                  |                   |                   |                      |          |         |
| Due from other funds                          |                     |                   |                     |                   |                   |                  |                   |                   |                      |          |         |
| Taxes receivable                              |                     |                   |                     |                   |                   |                  |                   |                   |                      |          |         |
| TOTAL ASSETS                                  |                     |                   |                     |                   |                   |                  |                   |                   |                      |          |         |
| LIABILITIES                                   |                     |                   |                     |                   |                   |                  |                   |                   |                      |          |         |
| Accounts payable                              |                     |                   |                     |                   |                   |                  |                   |                   |                      |          |         |
| Accrued payroll                               |                     |                   |                     |                   |                   |                  |                   |                   |                      |          |         |
| Compensated absences                          |                     |                   |                     |                   |                   |                  |                   |                   |                      |          |         |
| Due to other funds                            |                     |                   |                     |                   |                   |                  |                   |                   |                      |          |         |
| Deferred revenue                              |                     |                   |                     |                   |                   |                  |                   |                   |                      |          |         |
| TOTAL LIABILITIES                             |                     |                   |                     |                   |                   |                  |                   |                   |                      |          |         |
| FUND BALANCES                                 |                     |                   |                     |                   |                   |                  |                   |                   |                      |          |         |
| 18,552  | -                   | -                 | 18,552              | -                 | -                 | -                | -                 | -                 | -                    | -        | 18,552  |
| 367,104                                       | -                   | -                 | 367,104             | -                 | -                 | -                | -                 | -                 | -                    | -        | 367,104 |
| 4,088   | -                   | -                 | 4,088               | -                 | -                 | -                | -                 | -                 | -                    | -        | 4,088   |
| 879   | -                   | -                 | 879                 | 2,870             | -                 | 25,697           | 182               | -                 | 29,627               | -        | 29,627  |
| 537,548                                       | -                   | -                 | 537,548             | -                 | -                 | -                | -                 | -                 | 537,548              | -        | 537,548 |
| 928,170                                       | -                   | -                 | 928,170             | 2,870             | -                 | 25,697           | 182               | -                 | 956,919              | -        | 956,919 |
| Restricted for capital purchases              |                     |                   |                     |                   |                   |                  |                   |                   |                      |          |         |
| Unassigned, assigned & committed fund balance |                     |                   |                     |                   |                   |                  |                   |                   |                      |          |         |
| 5,833,073                                     | 1,836,689           | 300,403           | 8,970,171           | 636,866           | 161,420           | 57,869           | 293,242           | 293,242           | 11,486,419           |          |         |
| 6,833,073                                     | 1,836,689           | 300,403           | 9,970,171           | 636,866           | 161,420           | 57,869           | 293,242           | 293,242           | 12,076,509           |          |         |
| <u>\$ 7,761,249</u>                           | <u>\$ 1,836,689</u> | <u>\$ 300,403</u> | <u>\$ 9,902,341</u> | <u>\$ 529,758</u> | <u>\$ 161,420</u> | <u>\$ 83,566</u> | <u>\$ 293,424</u> | <u>\$ 293,424</u> | <u>\$ 11,076,509</u> |          |         |

| 2015  |                     |                     |                   |                   |                   |                  |                   |                   |                      |          |           |
|---|---------------------|---------------------|-------------------|-------------------|-------------------|------------------|-------------------|-------------------|----------------------|----------|-----------|
|   |                     |                     |                   | GEOA              |                   |                  |                   | Development Fees  |                      |          |           |
|   |                     |                     |                   | Riverbank         |                   | Hiickman         |                   | Riverbank         |                      | Hiickman |           |
| Total   | Unassigned          | Assigned funds      | Committed         |                   |                   |                  |                   |                   |                      |          | Total     |
| \$ 10,597,565                                 | \$ 7,295,215        | \$ 2,211,120        | \$ 300,403        | \$ 570,577        | \$ 284,755        | \$ 50,281        | \$ 293,194        | \$ 293,194        | \$ 10,597,565        |          |           |
| 17,488  | 1,060               | -                   | -                 | 2,870             | -                 | 13,566           | -                 | -                 | 21,924               |          |           |
| 333,340                                       | 333,340             | -                   | -                 | -                 | -                 | -                | -                 | -                 | 666,680              |          |           |
| <u>\$ 11,288,393</u>                          | <u>\$ 7,619,615</u> | <u>\$ 2,211,120</u> | <u>\$ 300,403</u> | <u>\$ 573,447</u> | <u>\$ 284,755</u> | <u>\$ 63,849</u> | <u>\$ 293,194</u> | <u>\$ 293,194</u> | <u>\$ 11,288,393</u> |          |           |
| LIABILITIES                                   |                     |                     |                   |                   |                   |                  |                   |                   |                      |          |           |
| Accounts payable                              |                     |                     |                   |                   |                   |                  |                   |                   |                      |          |           |
| Accrued payroll                               |                     |                     |                   |                   |                   |                  |                   |                   |                      |          |           |
| Compensated absences                          |                     |                     |                   |                   |                   |                  |                   |                   |                      |          |           |
| Due to other funds                            |                     |                     |                   |                   |                   |                  |                   |                   |                      |          |           |
| Deferred revenue                              |                     |                     |                   |                   |                   |                  |                   |                   |                      |          |           |
| TOTAL LIABILITIES                             |                     |                     |                   |                   |                   |                  |                   |                   |                      |          |           |
| FUND BALANCES                                 |                     |                     |                   |                   |                   |                  |                   |                   |                      |          |           |
| 92,256  | 92,256              | -                   | -                 | -                 | -                 | -                | -                 | -                 | 92,256               |          | 92,256    |
| 230,743                                       | 230,743             | -                   | -                 | -                 | -                 | -                | -                 | -                 | 461,486              |          | 461,486   |
| 4,088   | 4,088               | -                   | -                 | -                 | -                 | -                | -                 | -                 | 8,176                |          | 8,176     |
| 17,488  | 13,319              | -                   | -                 | 3,063             | -                 | 406              | 689               | -                 | 21,487               |          | 21,487    |
| 600,677                                       | 600,677             | -                   | -                 | -                 | -                 | -                | -                 | -                 | 1,201,354            |          | 1,201,354 |
| 944,664                                       | 940,485             | -                   | -                 | 3,063             | 406               | 689              | 21                | -                 | 1,889,669            |          | 1,889,669 |
| Restricted for capital purchases              |                     |                     |                   |                   |                   |                  |                   |                   |                      |          |           |
| Unassigned, assigned & committed fund balance |                     |                     |                   |                   |                   |                  |                   |                   |                      |          |           |
| 1,153,076                                     | 6,679,130           | 2,211,120           | 300,403           | 570,384           | 284,359           | 63,160           | 293,173           | 293,173           | 11,338,745           |          |           |
| 8,190,653                                     | 6,679,130           | 2,211,120           | 300,403           | 570,384           | 284,359           | 63,160           | 293,173           | 293,173           | 12,038,921           |          |           |
| <u>\$ 11,288,393</u>                          | <u>\$ 7,619,615</u> | <u>\$ 2,211,120</u> | <u>\$ 300,403</u> | <u>\$ 573,447</u> | <u>\$ 284,755</u> | <u>\$ 63,849</u> | <u>\$ 293,194</u> | <u>\$ 293,194</u> | <u>\$ 11,288,393</u> |          |           |

**STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT**  
**RECONCILIATION OF THE GOVERNMENT FUNDS BALANCE SHEETS TO THE STATEMENTS OF NET POSITION**  
**JUNE 30, 2016 & 2015**

|  | June 30,      |               |
|--|---------------|---------------|
|  | 2016          | 2015          |
| Total fund balances - governmental funds   | \$ 10,119,590 | \$ 10,343,729 |
| <p>In governmental funds, only current assets are reported.<br/>           In the statement of net position, all assets are reported,<br/>           including capital assets and accumulated depreciation</p> |               |               |
| Capital assets at historical cost, net of accumulated depreciation   | 4,495,145     | 4,104,419     |
| Bond issuance costs  | 48,644        | 55,693        |
| Deferred outflow of resources  | 1,130,361     | 1,412,607     |
| <p>Revenues that are not available to pay current obligations are reported<br/>           in the fund financial statements but are not reported in the Statement of Net Position</p>                           |               |               |
| Long-term taxes receivable   | 310,317       | 333,340       |
| <p>Long-term liabilities are not due and payable in the current period and, therefore<br/>           are not report in the funds. Those liabilities consist of:</p>  |               |               |
| Long-term debt   | (2,305,608)   | (2,431,900)   |
| Accrued compensated absences   | (2,523,043)   | (2,462,140)   |
| Net pension liability  | (8,170,859)   | (6,898,226)   |
| Deferred inflows of resources  | (1,136,405)   | (2,216,601)   |
| Net position of governmental activities  | \$ 1,968,142  | \$ 2,240,921  |

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS  
FOR THE YEARS ENDED JUNE 30, 2018 & 2015

|   | 2016                |                     |               |                   |                   |                   | 2015             |                      |                  |                   |                      |                   |
|---|---------------------|---------------------|---------------|-------------------|-------------------|-------------------|------------------|----------------------|------------------|-------------------|----------------------|-------------------|
|   | Unassigned          | Assigned funds      | Grant         | Committed         | Revolving         | Historian         | Development Fees | Waterford            | Historian        | Development Fees  | Waterford            |                   |
| <b>REVENUES</b>   |                     |                     |               |                   |                   |                   |                  |                      |                  |                   |                      |                   |
| Property taxes  | \$ 2,727,924        | \$ -                | \$ -          | \$ -              | \$ -              | \$ -              | \$ -             | \$ -                 | \$ -             | \$ -              | \$ -                 | \$ -              |
| Special Assessments   | 6,704,901           | -                   | -             | -                 | -                 | -                 | -                | -                    | -                | -                 | -                    | -                 |
| RDA pass-through revenues   | 122,141             | -                   | -             | -                 | -                 | -                 | -                | -                    | -                | -                 | -                    | -                 |
| Overhead Coverage   | 3,445,074           | -                   | -             | -                 | -                 | -                 | -                | -                    | -                | -                 | -                    | -                 |
| Fire/Message Fee  | 121,250             | -                   | -             | -                 | -                 | -                 | -                | -                    | -                | -                 | -                    | -                 |
| Development Fees  | -                   | -                   | -             | -                 | -                 | -                 | -                | -                    | -                | -                 | -                    | -                 |
| CEQA fees   | -                   | -                   | -             | -                 | -                 | -                 | -                | -                    | -                | -                 | -                    | -                 |
| Use of money and property   | 27,482              | 15,774              | -             | -                 | 51,231            | 5,157             | 15,989           | 29,377               | 15,989           | 58,488            | 58,488               | -                 |
| Reimbursements  | 67,614              | -                   | -             | -                 | 3,429             | 2,081             | 1,122            | 50,980               | 1,122            | 50,980            | 50,980               | -                 |
| Miscellaneous   | 180,892             | -                   | -             | -                 | -                 | -                 | -                | 693,809              | -                | 190,892           | 693,809              | -                 |
| <b>TOTAL REVENUES</b>   | <b>12,986,248</b>   | <b>15,774</b>       | <b>48,296</b> | <b>-</b>          | <b>54,759</b>     | <b>7,238</b>      | <b>16,708</b>    | <b>14,128,492</b>    | <b>16,708</b>    | <b>40,470</b>     | <b>14,128,492</b>    | <b>55,147</b>     |
| <b>EXPENDITURES</b>   |                     |                     |               |                   |                   |                   |                  |                      |                  |                   |                      |                   |
| Current:  |                     |                     |               |                   |                   |                   |                  |                      |                  |                   |                      |                   |
| Salaries and benefits   | 11,684,235          | -                   | 48,296        | -                 | -                 | -                 | -                | 11,729,530           | -                | -                 | 11,729,530           | 288               |
| Services and supplies   | 1,373,885           | -                   | -             | -                 | -                 | -                 | -                | 1,579,885            | -                | -                 | 1,579,885            | -                 |
| Capital outlay  | 887,918             | -                   | -             | -                 | -                 | -                 | -                | 887,918              | -                | -                 | 887,918              | -                 |
| Debt service:   |                     |                     |               |                   |                   |                   |                  |                      |                  |                   |                      |                   |
| Principal   | 127,900             | -                   | -             | -                 | -                 | -                 | -                | 128,292              | -                | -                 | 128,292              | -                 |
| Interest  | 60,788              | -                   | -             | -                 | -                 | -                 | -                | 82,005               | -                | -                 | 82,005               | -                 |
| <b>TOTAL EXPENDITURES</b>   | <b>14,314,396</b>   | <b>-</b>            | <b>48,296</b> | <b>-</b>          | <b>-</b>          | <b>-</b>          | <b>-</b>         | <b>14,398,631</b>    | <b>-</b>         | <b>-</b>          | <b>14,398,631</b>    | <b>288</b>        |
| <b>NET INCREASE (DECREASE) IN REVENUES OVER EXPENDITURES</b>                          | <b>(359,088)</b>    | <b>15,774</b>       | <b>-</b>      | <b>-</b>          | <b>54,759</b>     | <b>7,238</b>      | <b>16,708</b>    | <b>(24,139)</b>      | <b>16,708</b>    | <b>40,470</b>     | <b>(24,139)</b>      | <b>(4,889)</b>    |
| <b>OTHER FINANCING SOURCES (USES)</b>   |                     |                     |               |                   |                   |                   |                  |                      |                  |                   |                      |                   |
| Outside reserve deposit   | -                   | -                   | -             | -                 | -                 | -                 | -                | -                    | -                | -                 | -                    | -                 |
| <b>EXPENSES OF REVENUES AND OTHER SOURCES (USES) OVER EXPENDITURES AND OTHER USES</b> | <b>(359,088)</b>    | <b>15,774</b>       | <b>-</b>      | <b>-</b>          | <b>54,759</b>     | <b>7,238</b>      | <b>16,708</b>    | <b>(24,139)</b>      | <b>16,708</b>    | <b>40,470</b>     | <b>(24,139)</b>      | <b>(4,889)</b>    |
| <b>FUND BALANCES, BEGINNING OF YEAR</b>   | <b>6,679,130</b>    | <b>2,211,120</b>    | <b>-</b>      | <b>300,403</b>    | <b>970,284</b>    | <b>284,939</b>    | <b>83,160</b>    | <b>10,344,728</b>    | <b>83,160</b>    | <b>255,173</b>    | <b>10,344,728</b>    | <b>215,283</b>    |
| <b>INTER-FUND TRANSFERS</b>   | <b>513,037</b>      | <b>(350,293)</b>    | <b>-</b>      | <b>-</b>          | <b>11,745</b>     | <b>(110,177)</b>  | <b>(21,898)</b>  | <b>(2,421)</b>       | <b>(21,898)</b>  | <b>(2,421)</b>    | <b>(4,819)</b>       | <b>(4,819)</b>    |
| <b>FUND BALANCE, END OF YEAR</b>  | <b>\$ 6,833,079</b> | <b>\$ 1,858,689</b> | <b>\$ -</b>   | <b>\$ 300,403</b> | <b>\$ 898,988</b> | <b>\$ 181,420</b> | <b>\$ 57,989</b> | <b>\$ 10,119,890</b> | <b>\$ 57,989</b> | <b>\$ 253,242</b> | <b>\$ 10,119,890</b> | <b>\$ 255,173</b> |

**STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT  
RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2016 & 2015**

|  | June 30,            |                     |
|--|---------------------|---------------------|
|  | 2016                | 2015                |
| <p>The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statements of Revenues, Expenditures, and Changes in Fund Balances, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Changes in Net Assets of Governmental Activities reported in the Statements of Activities, which is prepared on the full accrual basis.</p> |                     |                     |
| NET CHANGE IN FUND BALANCES  | \$ (224,139)        | \$ (241,277)        |
| <p>Amounts reported for governmental activities in the Statements of Activities are different because of the following:</p>  |                     |                     |
| <p>Governmental funds report capital outlays as expenditures. However, in the Statements of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.</p>   |                     |                     |
| Capital outlay expenditures are therefore added back to fund balances  | 867,918             | 825,925             |
| Depreciation expense not reported in governmental funds  | (477,192)           | (508,815)           |
| Amortization of bond issuance costs  | (7,049)             | (7,050)             |
| <p>Assessment revenues that are not available to pay current obligations are not reported in the fund financial statements, but are reported in the Statements of Net Position</p>   |                     |                     |
| Increase (decrease) in assessments receivable  | (23,023)            | (564,617)           |
| <p>Under GASB 68 the Government Wide Financial Statements reflect the differences between actuarial pension obligations and actual pension expenditures. During fiscal year ending pension expense was reduced for net increase of deferred inflow of resources over deferred outflow of resources</p>   |                     |                     |
|  | (474,683)           | 507,311             |
| <p>The amounts below included in the Statements of Activities do not provide or require the use of current financial resources and therefore are not reported as a revenue or expenditures in governmental funds (net change):</p>   |                     |                     |
| Change in compensated absences   | (60,903)            | (634,304)           |
| Payments on long-term debt   | 126,292             | 339,600             |
| Payments on capital leases   | -                   | 163,456             |
| CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES  | <u>\$ (272,779)</u> | <u>\$ (119,771)</u> |

**STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016 & 2015**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Financial Reporting Entity

The Stanislaus Consolidated Fire Protection District, (the District) was formed on Mar 3, 1995 by the reorganization of the Riverbank, Waterford-Hickman, and the Empire Fire Protection Districts. The District is governed by a Board of Directors appointed by Stanislaus County (the County), and is currently subject to various State of California statutes including Health and Safety Code Sections 13800-13960 "The Fire Protection District Law of 1987" and others. The District provides direct fire protection and related services within its boundaries and provides coordinated non-emergency fire services support to all other fire protection districts through the County. The District's boundaries are detailed on the official records of Stanislaus County.

Basis of Presentation – Government–Wide Financial Statements

The government-wide financial statements (i.e. the statements of net position and the statements of activities) report information on all of the non-fiduciary activities of the primary government and its component units. The effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant on fees and user charges for support. The District has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Certain indirect costs are allocated from the general government activity to the public safety function based on relative percentages or prior year actual operating expenditures. Program revenues include 1) charges to customers who purchase, use or directly benefit from the goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among the program revenues are reported instead as general expenses.

The government-wide financial statements are reported using 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 the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue when reimbursable costs are incurred under the accrual basis of accounting.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016 & 2015**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-continued**

Basis of Presentation – Fund Financial Statements

The accounts of the District are organized on the basis of funds. A fund is a separate accounting entity with a self-balancing set of accounts. Each fund was established for the purpose of accounting for specific activities in accordance with applicable regulations, restrictions, or limitations. Separate financial statements are provided for each governmental fund. Major individual governmental funds are reported as separate columns in the fund financial statements.

The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decrease (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means that the amount of the transaction can be determined, and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues susceptible to accrual include property taxes, grants, donations and charges for current services. The District uses an availability period of 60 days after year-end. Expenditures under the modified accrual basis of accounting are generally recognized when the related fund liability is incurred.

The District reports the following major governmental fund types:

Unassigned General fund – The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

**STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016 & 2015**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-continued**

Special Revenue Funds – These funds are used to account for the proceeds of specific revenue sources that are Board Designated expenditures for specific purposes. The District maintains four special revenue funds:

Two CEQA Reserve Funds (the Riverbank Fund & the Waterford-Hickman Fund) – These Funds are maintained by construction fees collected on development projects subject to the California Environmental Quality Act (CEQA Fees). The CEQA Reserve Funds are used for the purchase of apparatus, equipment, and facilities and to pay for, or assist in paying for, the salaries and benefits of present and /or future personnel required to meet the needs and demands of increased development and growth within the District.

Two Development Fee Reserve Funds ( the Riverbank Fund & the Waterford-Hickman Fund) – These Funds are maintained by the fees collected on new development as Fire Protection Facilities Fees under authority of California Government Code 66000 et. Seq. and Stanislaus County Ordinance Code Section 364(1) (part) 1991. Development Fees are collected only on those development projects not subject to the California Environment Quality Act (CEQA). These funds are reserved for new capital projects.

Budgets and Budgetary Process

The District operates under the laws of the State of California. The Board of Directors adopts a General Fund budget only, which can be amended by the Board during the fiscal year. All appropriations lapse at year-end.

The budgeted financial statements represented in these reports reflect the final budget authorizations including all amendments.

Board of Directors

There are five members of the board. Each member of the board is a resident and registered voter of the District and is appointed by the Stanislaus County Board of Supervisors.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from these estimates.

**STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 & 2015**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-continued**

Revenue

Revenue to finance the District's operations is derived from the County property tax bills. Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on April 10 and December 10. Unsecured property taxes are payable in one installment on or before August 31.

Property Taxes and Special Assessments

Secured property taxes are considered measurable and available when apportioned to the District. The County is responsible for assessing and collecting secured property taxes for the District in accordance with enabling state legislation (including tax for the District appropriation limits). The county apportions secured taxes to the district under the "Teeter plan) – California Revenue and Taxation Code Sections 4701-4717. A complex allocation formula is used levied secured taxes to the County and its districts. The levy date is July 1. The District is credited with 100 percent of its apportionments regardless of the actual collections and delinquencies and accordingly, penalties and interest collected by the County are not allocated to the District. Apportionments are distributed according to the following schedule:

| <u>Action</u>                 | <u>Date</u>                  | <u>Percent</u> |
|-------------------------------|------------------------------|----------------|
| 1 <sup>st</sup> Apportionment | by December 25 <sup>th</sup> | 55 Percent     |
| 2 <sup>nd</sup> Apportionment | by April 25 <sup>th</sup>    | 40 Percent     |
| 3 <sup>rd</sup> Apportionment | by June 25 <sup>th</sup>     | 5 Percent      |

Supplemental unsecured property taxes and special assessments are considered measurable and available when collected. The District assesses supplemental unsecured property taxes and special assessments on real property. These assessments are not based on property values but on usage and are levied by parcel, square footage, dwelling unit, and/or space in accordance with Proposition 218. The assessments are remitted to the county for collection with secured property tax billings. The county deposits collections in the District's County treasury account. The County does not maintain separate accounts receivable by year but remits any past due amounts upon allocation.

Property, Plant and Equipment

Fixed assets are recorded at actual cost or estimated historical cost if actual cost is not available. Assets costing \$5,000 or more and with an expected life of 5 years or more are capitalized. Donated fixed assets are valued on the donation date at the estimated fair market value. When actual cost is not available, estimated costs are made by knowledgeable personnel. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.



**STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 & 2015**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-continued**

Property, plant and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|---------------|--------------|
| Building      | 10-45        |
| Equipment     | 1-40         |
| Vehicles      | 5-20         |

Compensated Absences

An employee accumulates vacation time in accordance with the employee's respective "Memorandum of Understanding". The amount of vacation and sick-time vested and accrued depends on year of service, employee classification, and date of hire. Vacation vested may be accumulated up to various maximum hours and is paid in full upon termination or retirement.

Allowance for Doubtful Accounts

Management believes its accounts receivable to be fully collectible and, accordingly, no allowance for doubtful accounts is considered necessary.

Implementation of GASB 68

The District adopted the provisions of GASB Statement No. 68 (GASB 68), *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* with new pension reporting requirements for employers. GASB also issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-An Amendment of GASB Statement No. 68 ("GASB 71")*, to clarify the transition year provisions of GASB 68. The key elements of the GASB 68 are that it applies to pension administered through trusts such as CalPERS. There are key elements: "Net Pension Liability" ("NPL") represents the unfunded pension liability and must now be reflected in the statements of net position. The unfunded liability at June 30, 2016 & 2015 was \$8,170,859 & \$6,898,226 respectively. The statements of net position will now reflect reported values for *Deferred Outflows and Deferred Inflows of Resources*. The second element is that annual pension expense is no longer the cash-basis required contribution to CalPERS as a percentage of employee salaries. This will result in a reporting measure that is more fiscally conservative and accelerates the recognition of gains and losses over a shorter amortization period. For example, lower investment assumptions may be used to measure pension liabilities for periods in which future benefit payments are not funded. The cost of benefit changes will be expensed immediately. Also, the impact of economic and demographic assumption changes and differences between expected and actual actuarial experience, will now be amortized over the average remaining service life of the plan's employees. Employers with an older employee base will be amortizing changes over a shorter period than employers with a

**STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016 & 2015**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-continued**

younger employee base. CalPERS will provide the necessary GASB 68 disclosures based on prior year data. These changes are reported in statements of net position on the Government – Wide Financial Statements.

Fund Balances

In February 2009, The GASB issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, which establishes accounting and financial reporting standards for all governments that report governmental funds.

Under GASB 54, fund balance for governmental funds should be reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those fund can be spent. Fund balances are no broken in five categories:

- Non-spendable Fund Balance – this fund balance classification includes amounts that cannot be spent because they are either not in spendable form (i.e. prepaid expenses) or legally or contractually required to be maintained intact.

Fund Balances

- Restricted Fund Balance – this fund balance classification should be reported when there are constraints placed on the use of resources externally (by creditors, grant sources, contributors, etc.) or imposed by law or enabling legislation.
- Committed Fund Balance – this fund balance classification can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority (i.e. fund balance designations passed by board resolution).
- Assigned Fund Balance – this fund balance classification are amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed.
- Unassigned Fund Balance – this fund balance classification is the residual classification for the general fund.

**STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016 & 2015**

**NOTE 2: CASH AND INVESTMENTS**

Cash at June 30, 2016 & 2015 consisted of the following:

|                              | 2016                |                     | 2015                |                     |
|------------------------------|---------------------|---------------------|---------------------|---------------------|
|                              | Cost                | Fair Value          | Cost                | Fair Value          |
| Deposits:                    |                     |                     |                     |                     |
| Cash in Banks                | \$ 4,467,672        | \$ 4,467,672        | \$ 4,898,596        | \$ 4,898,596        |
| Certificates of Deposit      | 1,497,710           | 1,497,710           | 1,888,485           | 1,888,485           |
| Pooled Funds:                |                     |                     |                     |                     |
| Cash in County Treasury      | <u>4,771,183</u>    | <u>4,771,183</u>    | <u>4,150,474</u>    | <u>4,150,474</u>    |
| Total Funds                  | <u>\$10,736,565</u> | <u>\$10,736,565</u> | <u>\$10,937,555</u> | <u>\$10,937,555</u> |
| <u>Custodial Credit Risk</u> |                     |                     |                     |                     |

As of June 30, 2016 and 2015, the carrying amount of the funds held at banks was \$5,965,382 and \$6,787,081 respectively. The bank balances are insured by the FDIC for \$250,000 and the remaining was collateralized as required by the California Government Code 53630, by the pledging financial institution with assets held in a common pool for the District and other government agencies. State law requires that the collateral be equal to or greater than 100% of all public deposits held with the pledging financial institution if government securities are used or 150% if mortgages are used as the collateral.

Authorized Investments

California statutes authorized the District to invest idle or surplus funds in a variety of credit instruments as provided for in California Government Code Section 53600, Chapter 4 – Financial Affairs.

The Government Code allows investments in the following instruments:

- Securities of the United States Government, or its agencies;
- Small Business Administration loans;
- Certificates of Deposit (or Time Deposits) placed with commercial banks and/or savings and loan companies;
- Negotiable Certificates of Deposit;
- Banker's Acceptances;
- Commercial paper and medium-term corporate notes;
- Local Agency Investment Fund (State Pool and County Pool) Demand Deposits;
- Repurchase Agreements (Repos);
- Reverse Repurchase Agreements;
- County Cash Pool.

**STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016 & 2015**

**NOTE 2: CASH AND INVESTMENTS**

Investments

The District has adopted provisions of Governmental Accounting Standards Board (GASB) 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools". GASB 31 establishes accounting and financial standards for investments in interest-earning investment contracts, external investment pools, and mutual funds. The statement requires all applicable investments to be reported at fair value on the balance sheet. Fair value is the amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced sale. All investment income, including changes in fair market value of investments, is recognized as revenue in the operating statement.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The bank certificates of deposits held by the District are all under eighteen months in maturity and are non-negotiable and, thus, have a guaranteed face value.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligations to the holder of the investment. Generally, this is measured by the assignment of a rating by a nationally recognized statistical rating organization.

**NOTE 3: CAPITAL ASSETS**

The following changes in the capital assets occurred during the year ended June 30, 2016:

|                           | 6/30/15             |                   |                  |                    | 6/30/16             |
|---------------------------|---------------------|-------------------|------------------|--------------------|---------------------|
|                           | <u>Balance</u>      | <u>Additions</u>  | <u>Deletions</u> | <u>Adjustments</u> | <u>Balance</u>      |
| Land & Buildings          | \$ 1,102,863        | \$ 457,971        | \$ 0             | \$ 0               | \$ 1,560,834        |
| Equipment                 | <u>8,209,498</u>    | <u>409,947</u>    | <u>0</u>         | <u>0</u>           | <u>8,619,445</u>    |
| Total                     | <u>9,312,361</u>    | <u>867,918</u>    | <u>0</u>         | <u>0</u>           | <u>10,180,279</u>   |
| Accumulated Depreciation: |                     |                   |                  |                    |                     |
| Buildings                 | ( 492,173)          | ( 25,600)         | 0                | 0                  | ( 517,773)          |
| Equipment                 | <u>(4,715,769)</u>  | <u>(451,592)</u>  | <u>0</u>         | <u>0</u>           | <u>(5,167,361)</u>  |
| Total                     | <u>(5,207,942)</u>  | <u>(477,192)</u>  | <u>0</u>         | <u>0</u>           | <u>(5,685,134)</u>  |
| Net Capital Assets        | <u>\$ 4,104,419</u> | <u>\$ 390,726</u> | <u>\$ 0</u>      | <u>\$ 0</u>        | <u>\$ 4,495,145</u> |

Total depreciation expense for the year ended June 30, 2016 & 2015 was \$477,192 & \$508,815 respectively, all charged to the public safety function.

**STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 & 2015**

**NOTE 4 – PENSION PLANS**

**Pensions** – For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Government of Example's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**A. General Information about the Pension Plans**

**Plan Descriptions** – All qualified permanent and probationary employees are eligible to participate in the Local Government's separate Safety (police and fire) and Miscellaneous (all other) Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

**Benefits Provided** – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2015, are summarized as follows:

|   | <b>Miscellaneous</b>        |                                |
|---|-----------------------------|--------------------------------|
|   | Prior to<br>January 1, 2013 | On or after<br>January 1, 2013 |
| Hire date   |                             |                                |
| Benefit formula:                                  |                             |                                |
| Tier 1  | 2.7% @ 55                   | 0                              |
| Tier 2  | 2.0% @ 62                   | 0                              |
| Tier 3  |                             | 2% @ 62                        |
| Benefit vesting schedule                          |                             | 5 years of service             |
| Benefit payments                                  |                             | monthly for life               |
| Retirement age                                    | 50 - 55                     | 52 - 67                        |
| Monthly benefits, as a % of eligible compensation | 0                           | 1% to 2.5%                     |
| Required employee contribution rates              | 5 years of service          | 6.000%                         |
| Required employer contribution rates              | monthly for life            | 16.691%                        |

**STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 & 2015**

**NOTE 4 – PENSION PLANS-continued**

|   | <b>Safety</b>              |                                |
|---|----------------------------|--------------------------------|
|   | Prior to<br>January 1,2013 | On or after<br>January 1, 2013 |
| Hire date   |                            |                                |
| Benefit formula                                   |                            |                                |
| *Tier 1   | 3.0% @ 50                  | 2.0% @ 57                      |
| *Tier 2   | 3.0% @ 55                  | 2.5% @ 57                      |
| *Tier 3   | 0                          | 2.7% @ 57                      |
| Benefit vesting schedule                          | 5 years of service         | 5 years of service             |
| Benefit payments                                  | monthly for life           | monthly for life               |
| Retirement age                                    | 50                         | 50 - 57                        |
| Monthly benefits, as a % of eligible compensation | 3.00%                      | 2.0% to 2.7%                   |
| Required employee contribution rates              | 8.986%                     |                                |
| *Tier 1   | N/A                        | 8.500%                         |
| *Tier 2   | N/A                        | N/A                            |
| *Tier 3   | N/A                        | 10.500%                        |
| Required employer contribution rates              | 27.849%                    | 11.500%                        |

***\*PEPRA created 3 new Safety member formulas for new hires on or after January 1, 2013***

**Contributions** – Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Local Government is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the years ended June 30, 2016 & 2015, the contributions recognized as part of pension expense for each Plan were as follows:

|  | <b>Miscellaneous</b> | <b>Safety</b> |
|--|----------------------|---------------|
| Contributions –Employer-2016               | \$ 1,101,546         | \$ 28,873     |
| Contributions -Employer-2015               | \$ 1,402,703         | \$ 9,905      |
| Contributions -Employee (paid by employer) | -                    | -             |

**STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 & 2015**

**NOTE 4 – PENSION PLANS-continued**

***B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions***

As of June 30, 2016 & 2015, the Local Government reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

|                        | <b>Proportionate Share<br/>of Net Pension Liability</b> |                    |
|------------------------|---|--------------------|
|                        | <b>2016</b>   | <b>2015</b>        |
| Misc.<br>Plan          | \$ 272,467  | \$204,566          |
| Safety                 | 7,898,590   | 6,693,621          |
| PEPRA Safety Fire Plan | ( 198)  | 39                 |
|                        | <u>\$8,170,859</u>                                      | <u>\$6,898,226</u> |

The Local Government's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2015, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 using standard update procedures. The Local Government's proportion of the net pension liability was based on a projection of the Local Government's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The Local Government's proportionate share of the net pension liability for each Plan as of June 30, 2015 and 2014 was as follows:

|                           | <u>Miscellaneous</u> | <u>Safety</u> | <u>Pepra Safety</u> |
|---------------------------|----------------------|---------------|---------------------|
| Proportion -June 30, 2015 | 0.005996%            | 0.360359%     | 0.00000%            |
| Proportion -June 30, 2014 | 0.00828 %            | 0.17845 %     | 0.00000%            |
| Net Change                | -0.002284%           | 0.181909%     | 0.00000%            |

**STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016 & 2015**

**NOTE 4 – PENSION PLANS**-continued

For the years ended June 30, 2016 & 2015, the Local Government recognized pension expense of \$2,230,520 & \$952,635, respectively. At June 30, 2015, respectively, the Local Government reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|--|-----------------------------------|----------------------------------|
| June 30, 2015  |                                   |                                  |
| Pension contributions subsequent to measurement date   | \$ 1,412,607                      | \$ -                             |
| Differences between actual and expected experience   | -                                 | -                                |
| Changes in assumptions   | -                                 |                                  |
| Change in proportion   |                                   |                                  |
| Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions | -                                 | 126,820                          |
| Net differences between projected and actual earnings on plan investments  | -                                 | 2,089,781                        |
| Total  | \$ 1,412,607                      | \$ 2,216,601                     |
| June 30, 2016  |                                   |                                  |
| Pension contributions subsequent to measurement date   | \$ 1,130,361                      | \$ -                             |
| Differences between actual and expected experience   | -                                 | (187,285)                        |
| Changes in assumptions   |                                   | (877,289)                        |
| Change in proportion   |                                   | 1,308,342                        |
| Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions | -                                 | 275,999                          |
| Net differences between projected and actual earnings on plan investments  | -                                 | 616,638                          |
| Total  | \$ 1,130,381                      | \$ 1,136,405                     |



**STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 & 2015**

**NOTE 4 – PENSION PLANS**-continued

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

| Measurement<br>Date<br><u>June 30,</u> |           |
|--|-----------|
| 2016                                   | \$196,422 |
| 2017                                   | \$203,308 |
| 2018                                   | \$189,268 |
| 2019                                   | \$545,988 |

**Actuarial Assumptions** – The total pension liabilities in the June 30, 2015 actuarial valuations were determined using the following actuarial assumptions:

|                               | <b>Miscellaneous</b>  | <b>Safety</b> |
|-------------------------------|---|---------------|
| Valuation Date                | June 30, 2014   | June 30, 2014 |
| Measurement Date              | June 30, 2015   | June 30, 2015 |
| Actuarial Cost Method         | Entry-Age Normal in accordance with the requirements of GASB Statement No. 68 |               |
| Actuarial Assumptions         |   |               |
| Discount Rate                 | 7.65%   | 7.65%         |
| Inflation                     | 2.75%   | 2.75%         |
| Payroll Growth                | 3.00%   | 3.00%         |
| Salary Increases              | Varies by Entry Age & Service   |               |
| Investment Rate of Return (1) | 7.50%   | 7.50%         |
| Mortality                     | Derived using CalPERS' Membership Data for All funds                          |               |

(1) Net of pension plan investment expenses, includes inflation

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2015 valuation were based on the results on the 2010 CalPERS Experience Study the period 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

**Discount Rate** – The discount rate used to measure the total pension liability was 7.65% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65 percent discount rate is adequate

**STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016 & 2015**

**NOTE 4 – PENSION PLANS-continued**

and the use of the municipal bond rate calculation is not necessary. The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50% percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach.

For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

**STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 & 2015**

**NOTE 4 – PENSION PLANS-continued**

***Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount***

**Rate** – The following presents the Local Government's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the Local Government's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

|                       | <u>Miscellaneous</u> | <u>Safety</u> |
|-----------------------|----------------------|---------------|
| 1% Decrease           | 6.65%                | 6.65%         |
| Net Pension Liability | \$ 450,380           | \$ 13,128,255 |
| Current Discount      |                      |               |
| Rate                  | 7.65%                | 7.65%         |
| Net Pension Liability | \$ 272,467           | \$ 7,898,590  |
| 1% Increase           | 8.65%                | 8.65%         |
| Net Pension Liability | \$ 125,579           | \$ 3,610,360  |

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses;

| Asset Class                   | New<br>Strategic<br>Allocation | Real                     | Real               |
|-------------------------------|--------------------------------|--------------------------|--------------------|
|                               |                                | Return<br>Years 1-<br>10 | Return<br>Years 11 |
| Global Equity                 | 47.0%                          | 5.25%                    | 5.71%              |
| Global Fixed Income           | 19.0%                          | 0.99%                    | 2.43%              |
| Inflation Sensitvie           | 6.0%                           | 0.45%                    | 3.36%              |
| Private Equity                | 12.0%                          | 6.83%                    | 6.95%              |
| Real Estate                   | 11.0%                          | 4.50%                    | 5.13%              |
| Infrastructure and Forestland | 3.0%                           | 4.50%                    | 5.09%              |
| Liquidity                     | 2.0%                           | -0.55%                   | -1.05%             |

***Pension Plan Fiduciary Net Position*** – Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

***E. Payable to the Pension Plan***

The Local Government did not have any outstanding contributions to the pension plan required for the years ended June 30, 2016 & 2015.

**STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 & 2015**

**NOTE 5: LONG – TERM DEBT**

Changes in Long – Term Debt are summarized below:

|                         | <u>6/30/15</u><br><u>Balance</u> | <u>Additions</u> | <u>Reductions</u>   | <u>6/30/16</u><br><u>Balance</u> |
|-------------------------|----------------------------------|------------------|---------------------|----------------------------------|
| Compensate Absences     | \$2,466,228                      | \$ 60,903        | \$ -                | \$ 2,527,131                     |
| Pension Obligation Bond | <u>2,431,900</u>                 | <u>-</u>         | <u>(126,292)</u>    | <u>2,305,608</u>                 |
| Total                   | <u>\$ 4,898,128</u>              | <u>\$ 60,903</u> | <u>\$ (126,292)</u> | <u>\$ 4,832,739</u>              |

On May 26, 2011 the District's Board of Directors issued a resolution authorizing the issuance and sale of a pension obligation bonds to refinance outstanding side fund obligations of the District to the California Public Employees' Retirement System in the amount of \$3,209,800. The bonds were issued solely for the purposes of refinancing the Issuer's outstanding side fund obligations of the California Public Employees' Retirement System and paying costs associated with the issuance of the bonds

At June 30, 2016 and 2015 the principal balance due on the bonds was \$2,305,608 and \$2,431,900, respectively. Principal and interest payments are due at January 15<sup>th</sup> and July 15<sup>th</sup> of each year, with payments escalating from \$163,000 to \$231,000 annually. Interest rates paid are a flat 5% per annum. A long – term amortization schedule is presented as follows:

| <u>Year ending June 30,</u> | <u>Principal</u>    | <u>Interest</u>   |
|-----------------------------|---------------------|-------------------|
| 2017                        | \$ 284,700          | \$ 105,517        |
| 2018                        | 313,100             | 90,525            |
| 2019                        | 343,400             | 74,555            |
| 2020                        | 375,700             | 31,074            |
| 2021-2023                   | <u>856,800</u>      | <u>54,598</u>     |
| Total                       | <u>\$ 2,173,700</u> | <u>\$ 356,269</u> |

**NOTE 6: INTER - FUND TRANSACTIONS**

**Due to and Due from Other Funds**

*Due to and due from other funds* represents short-term borrowing between funds and regular services and supplies provided but not settled at year-end. The composition of inter-fund balances as of June 30 is as follows:

**STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 & 2015**

**NOTE 6: INTER - FUND TRANSACTIONS-continued**

| <u>Receivable Fund</u>       | <u>Payable Fund</u> | <u>2016</u>      | <u>2015</u>      |
|------------------------------|---------------------|------------------|------------------|
| CEQA – Riverbank             | General             | \$ 2,870         | \$ 2,870         |
| CEQA -- Waterford/Hickman    | General             | 528              | 528              |
| Development Fund – Riverbank | Various             | 25,697           | 13,568           |
| Undesignated General Fund    | Various             | <u>532</u>       | <u>532</u>       |
| Total                        |                     | <u>\$ 25,697</u> | <u>\$ 17,498</u> |

For the year ended June 30, 2015 \$2,167,410 was permanently transferred from unassigned and assigned funds, CEQA and Development Fees for the following:

|                             | <u>Increase (Decrease)</u> |
|-----------------------------|----------------------------|
| Assigned funds:             |                            |
| Fund Assigned Funds         | \$ 2,245,931               |
| Station 31 Improvements     | ( 34,811)                  |
| CEQA Fees:                  |                            |
| Station 34 engineering      | ( 14,705)                  |
| Adjustment on consolidation | 1,160                      |
| Development Fees:           |                            |
| Station 34 design           | ( 49,269)                  |
| Adjustment on consolidation | <u>19,104</u>              |
| Total                       | <u>\$ 2,167,410</u>        |

**NOTE 7: DONATIONS**

Donated hours are not recorded; however, a substantial number of volunteers have generously donated significant amounts of their time to services, administration, and other activities. Donated fixed assets are recorded at estimated fair market value as of the date of the donation.

**NOTE 8: RELATED PARTY TRANSACTIONS**

The Volunteer Firefighter Associations for Empire, La Grange and Waterford/Hickman provided volunteer fire fighting assistance to the District. The individual volunteers were not compensated for their service.

**NOTE 9: REGIONAL FIRE TRAINING COST SHARING AGREEMENT**

Stanislaus Consolidated Fire Protection District is part of an agreement between Stanislaus County, City of Modesto and the Yosemite Community College District for construction and operation of the Regional Fire Training Center (RFTC) located in Modesto, California. There are approximately fifteen districts involved in this agreement. In the past, the county fire agencies' portion of the Regional Fire Training Center agreement was paid individually by each signatory agency. With the approval to use Less Than County-Wide dollars to fund the county fire agency portion of the contract, each agency will not need to individually budget for reimbursement.

**STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016 & 2015**

**NOTE 10: RISK MANAGEMENT**

The District is exposed to various risks of losses related to torts; theft, damage and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance to cover claims and judgments against it. The District also participates in two Joint Powers Agreements (JPA) public entity risk pools that provide worker's compensation insurance coverage, risk management, and excess insurance (see Note 11).

**NOTE 11: JOINT VENTURES (JOINT POWERS AGREEMENTS)**

**FASIS**

The District participates and is a member in a joint venture under a Joint Powers Agreement (JPA). The independent JPA is known as the Fire Association Self Insurance System (FASIS).

FASIS was created pursuant to a Joint Powers Agreement between several California fire Districts. FASIS exists to provide a program to pool worker's compensation coverage for participating agencies. Participation is voluntary. The relationship between the District and the JPA is not a component unit of the District for financial reporting purposes. Complete, separate financial statements are available from the entity.

Withdrawal from FASIS may be made only at the end of the fiscal year, and with twelve months notice. FASIS is governed by a board of directors composed of one representative employee or official from each member district. Members pay a premium commensurate with the respective level of coverage. FASIS may levy additional assessments if deemed necessary.

Condensed financial information of FASIS for the year ended June 30, 2016 & 2015 is as follows:

|   | <u>2016</u>          | <u>2015</u>          |
|---|----------------------|----------------------|
| Total Assets                            | \$ 50,044,626        | \$ 48,410,894        |
| Total Liabilities                       | ( 31,976,928)        | (31,027,555)         |
| Net Position                            | \$ <u>18,067,698</u> | \$ <u>17,383,339</u> |
| <br>                                    |                      |                      |
| Total Revenues                          | \$ 10,519,771        | \$ 10,867,007        |
| Total Expenditures                      | ( 10,568,124)        | ( 9,063,370)         |
| Net Income (Loss)                       | ( 48,353)            | 1,803,637            |
| Investment Activity                     | <u>732,712</u>       | <u>310,925</u>       |
| Net Increase (Decrease) in Net Position | \$ <u>684,359</u>    | \$ <u>2,114,562</u>  |

**STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 & 2015**

**NOTE 11: JOINT VENTURES (JOINT POWERS AGREEMENTS) -continued**

SDRMA

The District participates and is a member in a joint venture under a Joint Powers Agreement (JPA). The independent JPA is known as the Special Districts Risk Management Authority (SDRMA).

SDRMA was created pursuant to a JPA between many California fire districts, municipalities, and other special districts. SDRMA exists to aid in developing an effective risk management program to reduce the amount and frequency of losses, pooling self-insurance losses and, jointly purchasing excess insurance and administrative services in connection with a joint protection program. Participation is voluntary.

Condensed financial information of SDRMA for the year ended June 30, 2016 & 2015 is as follows:

|                                   | <u>2016</u>          | <u>2015</u>          |
|-----------------------------------|----------------------|----------------------|
| Total Assets                      | \$ 110,682,834       | \$ 107,630,328       |
| Deferred Outflows of Resources    | 332,954              | 973,962              |
| Total Liabilities                 | (58,754,717)         | (59,619,796)         |
| Deferred Inflows of Resources     | <u>( 117,687)</u>    | <u>( 294,368)</u>    |
| Net Position                      | \$ <u>52,143,384</u> | \$ <u>48,690,126</u> |
| <br>                              |                      |                      |
| Total Revenues                    | \$ 62,066,587        | \$ 55,678,280        |
| Total Expenditures                | <u>(61,022,721)</u>  | <u>(60,652,085)</u>  |
| Net Income (Loss)                 | 1,043,866            | ( 4,973,805)         |
| Non-operating Income and Expenses | <u>2,409,392</u>     | <u>1,338,581</u>     |
| Change in Net Position            | \$ <u>3,453,258</u>  | \$ <u>3,635,224</u>  |

**NOTE 12: GRANTS**

During the fiscal year ended June 30, 2016, the Stanislaus Consolidated Fire Protection District was awarded a grant, Staffing for Adequate Fire and Emergency Response Program "SAFER Grant" by FEMA totaling \$477,123 (\$300,609 for personnel and \$176,514 for associated fringe benefits). The purpose of the grant is to hire three new fire fighters for the City of Oakdale. The period of performance is from January 15, 2016 through January 2018. The grant does not require any matching funds.

**STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 & 2015**

**NOTE 13: REPLACEMENT STATION 34, WATERFORD, CA**

On May 5, 2016 Stanislaus Consolidated Fire Protection District and the City of Waterford entered into an agreement to exchange parcels with the goal of constructing a new Station 34. The value of the parcels are: Parcel A owned by the City of Waterford, fair market value \$205,000, Parcel B owned by the District, fair market value \$280,000. The difference in fair market value of \$75,000 will be offset by a credit for fees collected for water connection and wastewater treatment amounting to \$76,025. Parcel A will require off-site improvements, and the estimated costs will be \$241,855. The District shall be responsible for ensuring that all the off-site improvements are completed. The City shall reimburse the District 55% of the District's total actual cost of the off-site improvements performed based on the District's installation of the other non-required off-site improvements, and include up to an additional \$75,000 for any contingencies that arise on the City's 55% portion. The reimbursements by the City will be paid in 25% annual installments beginning July 1, 2018 through July 1, 2021. The District's use of Parcel B will be necessary until Parcel A is developed. The agreed rent is \$1,500 per month for any month Parcel B is used. The District and the City agree that the City will be granted a credit against the 55% credit the City will be required to make to the District commencing July 1, 2018.

**NOTE 14: CHANGE IN ESTIMATES AND ERROR CORRECTION:**

The financial statements for the year ended June 30, 2015 have been restated for the following items:

Change in Estimates increase (decrease):

|                        |           |
|------------------------|-----------|
| Deferred cash outflows | \$280,917 |
| Deferred cash inflows  | \$173,136 |

Correction of Error increase (decrease):

|  |           |
|--|-----------|
| Increase in deferred revenue           |           |
| City of Oakdale                        |           |
| prepayment of contract                 | \$150,182 |
| Oakdale Rural Fire Protection District |           |
| overpayment on contract credited       |           |
| to June 30, 2016                       | \$117,155 |

The overall effect on the net position was to decrease the net position on a Government-Wide Basis by \$546,056 and Fund Basis \$284,790.

**NOTE 15: SUBSEQUENT EVENTS**

Effective November 30, 2015 Fire Chief Bradley has resigned his position at Stanislaus Consolidated Fire Protection District. Deputy Chief Wapnowski served as acting fire chief through August 26, 2016 when Fire Chief Daly was hired.



**STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016 & 2015**

**NOTE 16: DATE OF EVALUATION**

The District has evaluated subsequent events through March 9, 2017 the date the financial statements were available to be issued, and determined that there no events , other than that described above, occurring subsequent to June 30, 2016 that would have a material impact on the results of operations or its financial position.

STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT  
BOARD MEMBERS  
JUNE 30, 2016

|                            |                       |
|----------------------------|-----------------------|
| <b>Shayne Strasser</b>     | <b>President</b>      |
| <b>Susan Larson-Zanker</b> | <b>Vice President</b> |
| <b>Dave Woods</b>          | <b>Director</b>       |
| <b>Michelle Guzman</b>     | <b>Director</b>       |
| <b>Steve Green</b>         | <b>Director</b>       |

**STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT  
GENERAL FUND  
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEARS ENDED JUNE 30, 2016 & 2015**

| June 30,<br>2016                    |              |   |            | June 30,<br>2015                    |              |   |            |
|-------------------------------------|--------------|---|------------|-------------------------------------|--------------|---|------------|
| <b>Budgeted Amounts</b>             |              | Variance with<br>Final Budget<br>Positive |            | <b>Budgeted Amounts</b>             |              | Variance with<br>Final Budget<br>Positive |            |
| Original                            | Final        | Actual                                    | (Negative) | Original                            | Final        | Actual                                    | (Negative) |
| \$ 2,602,005                        | \$ 2,602,005 | \$ 2,737,924                              | \$ 135,919 | \$ 2,306,146                        | \$ 2,306,146 | \$ 2,588,556                              | \$ 282,410 |
| 6,487,054                           | 6,487,054    | 6,704,901                                 | 217,847    | 6,230,280                           | 6,230,280    | 6,590,883                                 | 360,603    |
| 115,000                             | 115,000      | 122,141                                   | 7,141      | 112,536                             | 112,536      | 133,743                                   | 21,207     |
| 100,000                             | 642,000      | 615,514                                   | (26,486)   | 100,000                             | 100,000      | 380,614                                   | 280,614    |
| 3,423,626                           | 3,474,017    | 3,445,074                                 | (28,943)   | 3,005,804                           | 3,005,804    | 2,948,210                                 | (57,594)   |
| 50,000                              | 50,000       | 27,452                                    | (22,548)   | 80,000                              | 80,000       | 53,291                                    | (26,709)   |
| 132,830                             | 142,830      | 180,992                                   | 38,162     | 139,476                             | 139,476      | 108,309                                   | (31,167)   |
| -                                   | 34,000       | 48,295                                    | 14,295     | -                                   | -            | -   | -          |
| 150,000                             | 120,000      | 121,250                                   | 1,250      | -                                   | -            | 1,072                                     | 1,072      |
| 13,060,515                          | 13,666,906   | 14,003,543                                | 336,637    | 11,974,242                          | 11,974,242   | 12,804,678                                | 830,436    |
| <b>Total Revenues</b>               |              |   |            | <b>Total Revenues</b>               |              |   |            |
| <b>Expenditures:</b>                |              |   |            | <b>Expenditures:</b>                |              |   |            |
| Current:                            |              |   |            | Current:                            |              |   |            |
| 11,122,022                          | 11,409,022   | 11,732,530                                | (323,508)  | 10,285,617                          | 10,285,617   | 10,032,109                                | 253,508    |
| 1,324,117                           | 1,524,917    | 1,573,885                                 | (48,968)   | 1,363,135                           | 1,363,135    | 1,745,215                                 | (382,080)  |
| 2,291,500                           | 2,550,520    | 867,918                                   | 1,682,602  | 856,400                             | 856,400      | 825,924                                   | 30,476     |
| -                                   | -            | 127,500                                   | (127,500)  | 221,500                             | 221,500      | 352,199                                   | (130,699)  |
| -                                   | -            | 60,798                                    | (60,798)   | 135,918                             | 135,918      | 193,527                                   | (57,609)   |
| 14,737,639                          | 15,484,459   | 14,362,631                                | 1,121,828  | 12,862,570                          | 12,862,570   | 13,148,974                                | (286,404)  |
| <b>Total Expenditures</b>           |              |   |            | <b>Total Expenditures</b>           |              |   |            |
| <b>Net Changes in Fund Balances</b> |              |   |            | <b>Net Changes in Fund Balances</b> |              |   |            |
| Fund Balances-Beginning             |              |   |            | Fund Balances-Beginning             |              |   |            |
| 6,679,130                           |              |   |            | 6,679,130                           |              |   |            |
| Interfund Transfers                 |              |   |            | Interfund Transfers                 |              |   |            |
| 7,192,167                           |              |   |            | 7,023,426                           |              |   |            |
| <b>Fund Balances- Ending</b>        |              |   |            | <b>Fund Balances- Ending</b>        |              |   |            |
| <u>\$ 6,833,079</u>                 |              |   |            | <u>\$ 6,679,130</u>                 |              |   |            |

STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT  
SCHEDULE OF CONTRIBUTIONS  
As of June 30, 2016 & 2015  
\* Last 10 Years

|   | 2015          |              |              |
|---|---------------|--------------|--------------|
|   | Miscellaneous | Safety       | PEPRA Safety |
| Contractually required contribution (actuarially determined)          | \$ 19,865     | \$ 880,140   | \$ 8,622     |
| Contributions in relation to the actuarially determined contributions | 19,865        | 880,140      | 8,622        |
| Contribution deficiency (excess)                                      | \$ -          | \$ -         | \$ -         |
| Covered-employee payroll  | \$ 121,708    | \$ 3,537,615 | \$ 46,848    |
| Contributions as a percentage of covered-employee payroll             | 16.32%        | 24.88%       | 18.40%       |

**Notes to Schedule**

Valuation date: 6/30/2014 6/30/2014 6/30/2014

|   | 2015          |              |              |
|---|---------------|--------------|--------------|
|   | Miscellaneous | Safety       | PEPRA Safety |
| Contractually required contribution (actuarially determined)          | \$ 17,637     | \$ 1,385,066 | \$ 8,033     |
| Contributions in relation to the actuarially determined contributions | 17,637        | 1,385,066    | 8,033        |
| Contribution deficiency (excess)                                      | \$ -          | \$ -         | \$ -         |
| Covered-employee payroll  | \$ 124,291    | \$ 3,607,135 | \$ 260,993   |
| Contributions as a percentage of covered-employee payroll             | 14.19%        | 38.40%       | 3.08%        |

**Notes to Schedule**

Valuation date: 6/30/2015 6/30/2015 6/30/2015

**June 30, 2015**

**Change to Benefit terms:** The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes). Employers that have done so may need to report this information as a separate liability in the financial statement as CalPERS considers such amounts to be separately financed employer-specific liabilities.

**Change in Assumptions:** None

**June 30, 2016**

**Change in Benefit Terms:** the figures above reflect the Plan's proportionate share of the liability impact resulting from plan changes which occurred after June 30, 2014. More information can be found in the CalPERS valuation Report for the Risk Pools as of June 30, 2014. Voluntary benefit changes as well as any offers of Two Years Additional Service Credit (aka Golden handshakes) may need to be reported as separate liability as CalPERS considers such amounts to be separately financed employer-specific liabilities.

**Change in Assumptions:** The above figures reflect the Plan's proportionate share of the liability impact of changes in actuarial assumptions and methods as reported by CalPERS Board of Administration upon the recommendation of the Chief Actuary. More information can be found in the CalPERS Valuation Report for Risk Pools as of June 30, 2014

\*-Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown.

STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT  
SCHEDULE OF THE LOCAL GOVERNMENT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
As of June 30, 2016 & 2015

|  | <b>2015</b>          |               |                     |
|--|----------------------|---------------|---------------------|
|  | <b>Miscellaneous</b> | <b>Safety</b> | <b>PEPRA Safety</b> |
| Proportion of the net pension liability  | 0.00329%             | 0.10757%      | 0.00000%            |
| Proportionate share of the net pension Liability   | 204,566              | 6,693,621     | 39                  |
| Covered - employee payroll   | 121,708              | 3,537,615     | 46,848              |
| Proportionate Share of the net pension liability as a percentage of covered-employee payroll               | 168.08%              | 189.21%       | 0.80%               |
| Plan's fiduciary net position  | 1,000,805            | 29,329,698    | 170                 |
| Plan fiduciary net position as a percentage of the total pension liability                                 | 83.03%               | 81.42%        | 81.34%              |
|  | <b>2016</b>          |               |                     |
|  | <b>Miscellaneous</b> | <b>Safety</b> | <b>PEPRA Safety</b> |
| Proportion of the net pension liability  | 0.003970%            | 0.115074%     | -0.000003%          |
| Proportionate share of the net pension Liability   | \$ 272,467           | \$ 7,898,590  | \$ (198)            |
| Covered - employee payroll   | \$ 124,291           | \$ 3,607,135  | 260,993             |
| Proportionate Share of the net pension liability as a percentage of covered-employee payroll               | 219.22%              | 218.97%       | -0.08%              |
| Plan's Proportionate share of Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability | 79.14%               | 79.29%        | 102.06%             |
| Plan's Proportionate Share of Aggregate Employer Contributions   | \$ 35,764            | \$ 1,028,937  | \$ 334              |

**Notes to Schedule**

**Benefit changes** - In 2015, benefit terms were modified to base public safety employe pensions on a final Three-year average salary instead of a final five-year salary.

**Changes in assumptions** - In 2015, amounts reported as changes in assumptions resulted primarily from adjustments to expected retirement ages of general employees.

\*-Fiscal year 2015, was the 1st year of implementation, therefore only two years are shown

# Michael R. Baudler & Donna E. Flanders

---

## 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

March 9, 2017

To the Board of the Directors  
Stanislaus Consolidated Fire Protection District  
Riverbank, CA

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, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Stanislaus Consolidated Fire Protection District as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise Stanislaus Consolidated Fire Protection District's basic financial statements and have issued our report thereon dated March 9, 2017.

#### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Stanislaus Consolidated Fire Protection District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Stanislaus Consolidated Fire Protection District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Stanislaus Consolidated Fire Protection 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Stanislaus Consolidated Fire Protection 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*.

### **Stanislaus Consolidated Fire Protection District's Response to Findings**

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

### **Purpose of this Report**

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.

*Baudler & Flanders, CPAS*

Modesto, California  
March 9, 2017

## **Schedule of Audit Findings and Responses**

Stanislaus Consolidated Fire Protection District

March 9, 2017

### **Findings:**

The District's controls over transactions posted to the District's Quickbooks accounting software are inadequate to ensure that unauthorized changes are not made to the **general** ledger.

### **Background:**

The District's procedures for authorizing/approving and posting of transactions follow a well-designed and implemented program of internal controls.

### **Description of Condition:**

Effective March 12, 2015 (amended May 12, 2016) the District adopted a new Finance Policy, which among other items, codified the:

- Check writing procedures
- Check approval process

The above procedures placed primary responsibility with the Finance Specialist.

### **We found:**

- That on several occasions the Finance Specialist subsequently changed the dates on the following transactions without approval:
  - On June 26, 2015, the District received a wire payment from the City of Oakdale for the contract in the amount of \$150,182. The Finance Specialist re-dated this transaction to July 1, 2015. This change was not authorized.
  - On June 30, 2016, the District received a wire payment from the City of Oakdale for the contract in the amount of \$150,182. The Finance Specialist re-dated this transaction to July 1, 2016. This change was not authorized.
  - On June 29, 2015, the District issued a voucher number 2761 payable to the Bank of New York in the amount of \$188,310 to service the general obligation bond. The Finance Specialist re-dated this voucher to July 1, 2015. This change was not authorized.
- The cash accounts were reconciled on a timely basis, however the reconciliations were not reviewed by the Treasurer or the Fire Chief during the period August 2015 through June 2016. This resulted in errors not being "caught" during the review process. On April 30, 2016, \$45,679.26 was recorded as a deposit for administrative fees, when in fact it was charge for administrative fees. The reconciliation indicated that this transaction was cleared as a deposit at the time of the reconciliation.



## **Schedule of Audit Findings and Responses-cont'd**

Stanislaus Consolidated Fire Protection District

March 9, 2017

### **Cause of Condition:**

The District did not have adequate controls or a contingency plan in place for the smooth transition of the management team:

- In September 2015 Battalion Chief/Treasurer Wise took a medical leave. Deputy Fire Chief Wapnowski was appointed Treasurer in January 2016, leaving this District without a Treasurer for the period September 2015 through January 2016;
- In November 2015 Fire Chief Bradley resigned and Deputy Fire Chief Wapnowski was appointed Interim Fire Chief,
- In December of 2015 Finance Specialist, completed his orientation period and, assumed full responsibility as the Financial Specialist for the District.

It was during this period, with the "absence" of the Treasurer and departure of the Fire Chief, that Deputy Chief Wapnowski was saddled with not only the responsibilities of the Fire Chief's position but also the Treasurer's position.

From my interviews, with those involved on the management team, there was no discussion or planning of how these transitions in the management team would affect the functioning of the District's internal controls. The Finance Policy adopted envisioned three positions (Fire Chief, Treasurer and Finance Specialist) whose duties would be segregated to ensure that the internal controls were operating as designed to detect material misstatements in the financial statements. The absence of these controls allowed the conditions described to take place.

### **Responses:**

Our discussions with the management team regarding these finding were positive and the recommendations contained in the management letter dated March 9, 2017 were accepted.