

NORTH CENTRAL FIRE PROTECTION DISTRICT
REPORT ON AUDIT OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

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INDEPENDENT AUDITOR'S REPORT

September 16, 2015

Board of Directors
North Central Fire Protection District
Kerman, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of North Central Fire Protection District, State of California, as of and for the year ended June 30, 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 in 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 judgement, 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 District'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 of North Central Fire Protection District, State of California, as of June 30, 2015 and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages three through eight and the statement of revenue, expenditures and changes in fund balance – budget and actual on pages 23, 24 and 25 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 them to be essential parts 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2015 on our consideration of North Central 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.

*Sanborn and Sanborn
Accountancy Corporation*

CERTIFIED PUBLIC ACCOUNTANTS

NORTH CENTRAL FIRE PROTECTION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015

This discussion and analysis of the North Central Fire Protection District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2015. Please read it in conjunction with the accompanying financial statements and notes to those financial statements.

Financial Highlights

The District's total assets exceeded liabilities (net position) at the close of the fiscal year by \$6,976,030. Of this amount, \$3,289,869 is unrestricted net assets, which is available to meet the District's ongoing commitments to residents and creditors.

The District's governmental funds ended the year with a combined fund balance of \$6,749,897 which is an increase of \$1,211,114 over June 30, 2014. Of this balance, \$6,749,897 is unrestricted and available for spending at the District's discretion.

The District's General Fund ended the year with a fund balance of \$3,277,500, an increase of \$655,556 over the previous fiscal year.

Overview of the Financial Statements

This annual report consists of a series of financial statements. These statements include all activities of the North Central Fire Protection District. The Statement of Net Position and Statement of Activities provide information about the activities of the District as a whole and present a longer-term view of the District's finances. Fund financial statements report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds.

Reporting the District as a Whole

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances. These statements include all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting method used by most private sector companies.

The *statement of net position* presents information on all the District's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as one indicator of whether the District's financial position is improving or deteriorating.

The *statement of activities* presents information showing how the District's net position changed in the most recent fiscal year. All changes of net position are reported as soon as the underlying event giving rise to the change occurs. Thus, revenues and expenses are reported on this statement for some items that will result on cash flows in the future fiscal periods.

The government-wide financial statements of the District can be found on pages 9 – 10 of this report.

Fund Financial Statements. The fund financial statements provide more detailed information about the District's most significant funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Management establishes other funds to control and manage money for particular purposes. The funds of the District can be divided into two categories: governmental funds and proprietary funds. The District has no proprietary funds and three governmental funds, the General Fund, the EMS Fund and a Capital Projects Fund. Fund financial statements can be found on pages 11 – 14 of this report.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on balances of spendable resources available at the end of the fiscal year. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash.

The governmental fund statement of revenues, expenditures, and changes in fund balances provides reconciliation between governmental funds and governmental activities. This reconciliation explains the relationship (or difference) between the fund statements and the government-wide statements.

The District adopts an annual appropriated budget for the District's governmental funds. Budgetary comparison statements are provided to demonstrate compliance to this budget in the supplementary information on pages 23 -25.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund statements.

The notes to the financial statements can be found on pages 15 – 21 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain other supplementary information which can be found on pages 23 – 25.

North Central Fire Protection District's Net Position

	Governmental Activities	Current Year Total	Prior Year Total
Current Assets	\$ 6,727,884	\$ 6,727,884	\$ 5,520,259
Other Assets	54,399	54,399	51,876
Capital Assets (net depreciation)	3,686,161	3,686,161	3,801,166
Total Assets	10,468,444	10,468,444	9,373,301
Current Liabilities	134,800	134,800	142,016
Deferred Liabilities	3,357,614	3,357,614	3,598,884
Total Liabilities	3,492,414	3,492,414	3,740,900
Net Position:			
Invested in Capital	3,686,161	3,686,161	3,801,166
Unrestricted	3,289,869	3,289,869	1,831,235
Total Net Position	\$ 6,976,030	\$ 6,976,030	\$ 5,632,401

Governmental activities: As of June 30, 2015, the District's governmental activities total assets exceeded liabilities (net position) by \$6,976,030. Net position as noted earlier may serve over time as a useful indicator of the District's financial position.

The majority of the District's long-term liabilities can be attributed to the District's debt service requirements secured to pay a settlement payment to Fresno County Employees Retirement Association in the amount of \$4,000,000 for the District's portion of the unfunded actuarial accrued liability. Additional information on the District's annual debt service can be found on the bottom of page 19 in the notes to the financial statements.

Investment in Capital assets amount to \$3,686,161 or 53 percent of the total net position.

Unrestricted net assets as of June 30, 2015, are \$3,289,869 and may be used to meet the District's ongoing commitments to residents and creditors.

North Central Fire Protection District's Changes in Net Assets

	Governmental Activities	Current Year Total	Prior Year Total
Revenues:			
Charges for services	\$ 88,793	\$ 88,793	\$ 115,445
Property taxes	7,403,899	7,403,899	6,988,839
Investment income	155,608	155,608	69,797
Other revenues	10,350	10,350	26,333
Total Revenues	7,658,650	7,658,650	7,200,714
Expenses:			
Suppression	5,529,357	5,529,357	5,918,885
EMS	785,664	785,664	723,417
Total Expenses	6,315,021	6,315,021	6,642,302
Increase (Decrease) in net assets	1,343,629	1,343,629	558,412
Net Assets – Beginning	5,632,401	5,632,401	5,073,989
Net Assets – Ending	\$ 6,976,030	\$ 6,976,030	\$ 5,632,401

Total governmental activities revenue for the year was \$7,658,650 with property tax revenue accounting for \$7,403,899 or 97 percent of the District's governmental activities revenue.

Total governmental expenses for the year were \$6,315,021. Operations expenditures account for \$5,261,156 or 83 percent of the total governmental expenses. Personnel expenditures account for 9 percent and other expenses account for 8 percent of the total governmental expenses.

Financial Analysis of the District's Funds

The purpose of the District's governmental fund financial statements (pages 11 - 14), is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of June 30, 2015, the District's governmental funds reported a combined ending balance of \$6,749,897, an increase of \$1,211,114 from the previous fiscal year.

The general fund is the chief operating fund of the District. As of June 30, 2015, the total fund balance of the general fund was \$3,277,500. The general fund total balance increased \$655,556 from the previous fiscal year.

Combined Funds – Budgetary Highlights

The statement of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual on pages 23 – 25 outline the differences between the budget and actual numbers.

District revenues were above budget projections by \$250,275. This variance can be attributed to the property tax revenue received by the District was above tax revenue projections.

Expenditures were under budget by \$353,314. This variance can be attributed to the projections of a down-payment on two new water tenders from the Capital Equipment Fund which totaled \$300,000, but was not due during the 2014-2015 fiscal year. Therefore, the down-payment was not made.

Capital Assets

The District's investment in Capital assets for its governmental activities as of June 30, 2015, totals \$3,686,161 net of accumulated depreciation. The District's capital assets include land, structures and improvements, equipment, apparatus and vehicles. Additional information on the District's capital assets can be found in the notes to the financial statements page 19.

Long-term Debt

On June 9, 2010, the District closed a \$4,100,000 private placement loan with Bank of America for the financing of a settlement payment for the District's portion of the unfunded actuarial accrued liability owed to Fresno County Employee's Retirement Association. The District began paying debt service payments in February 2011 and will make semi-annual payments for fifteen years ending August 2025. The loan has a fixed interest rate of 7.45 percent. Additional information on the District's debt service can be found on the bottom of page 19 in the notes to the financial statements.

Economic Factors and Next Year's Budget

Property tax revenue accounts for 97 percent of the Districts operating revenue. Due to the downturn in the housing market several years ago, many properties were re-assessed to their current market value which decreased the District's tax revenue considerably in the 2009-2010 fiscal year. Since the 2009–2010 fiscal year, the District experienced several years of very slow recovery. The tax roll released for the 2013–2014 fiscal year and the 2014–2015 fiscal year by the Fresno County Assessor's office,

showed a moderate increase of more than 5 percent for the entire County of Fresno. This increase was realized by the District and other government agencies. The tax roll released for the 2015–2016 fiscal year, shows an increase of a little over 4 percent in assessed values in the entire County of Fresno which includes the District. The District is a small area of Fresno County, so it is difficult to predict the increase of property tax revenue for the District in the 2015-2016 fiscal year, but a 4 percent increase shows that assessed property values in the District continue to increase which will increase the District's property tax revenue.

Requests for Information

This financial report is designed to provide our residents, taxpayers, and customers with a general overview of North Central Fire Protection District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Joe Barcelos, Business Manager, North Central Fire Protection District, 15850 W. Kearney Blvd., Kerman CA 93630, (559) 275-5531.

NORTH CENTRAL FIRE PROTECTION DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015

Assets	
Cash and cash equivalents	\$ 6,727,884
Receivables	54,399
Capital assets (net of allowance for depreciation)	<u>3,686,161</u>
Total assets	<u>10,468,444</u>
Liabilities	
Accounts payable and accrued expense	134,800
Noncurrent liabilities	
Due within one year	230,590
Due in more than one year	<u>3,127,024</u>
Total liabilities	<u>3,492,414</u>
Net Position	
Invested in capital assets, net of related debt	3,686,161
Unrestricted	<u>3,289,869</u>
Total net position	<u>\$ 6,976,030</u>

See accompanying notes to financial statements.

NORTH CENTRAL FIRE PROTECTION DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Expense</u>	<u>Charges for Services</u>	<u>Program Revenue</u>		<u>Net Revenue/ (Expense)</u>
			<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental operations					
Fire suppression	\$ 5,529,357	\$ 88,793	\$ 10,350	\$	\$ (5,430,214)
Emergency medical services	<u>785,664</u>	<u> </u>	<u> </u>	<u> </u>	<u>(785,664)</u>
Total governmental operations	<u>\$6,315,021</u>	<u>\$ 88,793</u>	<u>\$ 10,350</u>	<u>\$</u>	<u>\$ (6,215,878)</u>
General revenue					
Property taxes					7,310,549
Intergovernmental					93,350
Interest					<u>155,608</u>
Total general revenue					<u>7,559,507</u>
Change in net position					1,343,629
Net position, beginning of year					<u>5,632,401</u>
Net position, end of year					<u>\$ 6,976,030</u>

See accompanying notes to financial statements.

NORTH CENTRAL FIRE PROTECTION DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2015

	<u>General Fund - Suppression</u>	<u>EMS - Zone 1 Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Assets				
Cash on hand	\$ 1,544	\$	\$	\$ 1,544
Cash in county treasury	2,964,063	677,553	2,784,292	6,425,908
Cash in bank	300,432			300,432
Interest receivable	12,683	4,344	8,411	25,438
Taxes receivable	10,786	1,267		12,053
Accounts receivable	<u>16,908</u>	<u></u>	<u></u>	<u>16,908</u>
	<u>\$ 3,306,416</u>	<u>\$ 683,164</u>	<u>\$ 2,792,703</u>	<u>\$ 6,782,283</u>
Liabilities and Fund Balance				
Liabilities				
Accounts payable and accrued expense	<u>\$ 28,916</u>	<u>\$ 3,470</u>	<u>\$</u>	<u>\$ 32,386</u>
Fund balance				
Assigned		679,694	2,792,703	3,472,397
Unassigned	<u>3,277,500</u>	<u></u>	<u></u>	<u>3,277,500</u>
Total fund balance	<u>3,277,500</u>	<u>679,694</u>	<u>2,792,703</u>	<u>6,749,897</u>
	<u>\$ 3,306,416</u>	<u>\$ 683,164</u>	<u>\$ 2,792,703</u>	<u>\$ 6,782,283</u>

See accompanying notes to financial statements.

NORTH CENTRAL FIRE PROTECTION DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE
SHEET TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2015

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balances – total governmental funds	\$ 6,749,897
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds	3,686,161
Long-term portion of accrued compensated absences and health benefits are not due and payable in the current period and, therefore, are not reported in the funds	(58,404)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	(3,299,211)
Interest on long-term liabilities is not due an payable in the current period and therefore is not reported in the funds	<u>(102,413)</u>
Net position of governmental activities	<u>\$ 6,976,030</u>

See accompanying notes to financial statements.

NORTH CENTRAL FIRE PROTECTION DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2015

	<u>General Fund - Suppression</u>	<u>EMS - Zone 1 Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Revenue				
Property taxes	\$ 6,515,609	\$ 776,823	\$ 18,117	\$ 7,310,549
Use of money and property	92,594	13,027	49,987	155,608
Other	96,539		2,604	99,143
Intergovernmental	<u>82,696</u>	<u>10,654</u>	<u> </u>	<u>93,350</u>
Total revenue	<u>6,787,438</u>	<u>800,504</u>	<u>70,708</u>	<u>7,658,650</u>
Expenditures				
Current				
Operations	4,603,893	657,263	19	5,261,175
Personnel	485,255	70,474		555,729
Capital outlay	172,131			172,131
Debt service	<u>400,574</u>	<u>57,927</u>	<u> </u>	<u>458,501</u>
Total expenditures	<u>5,661,853</u>	<u>785,664</u>	<u>19</u>	<u>6,447,536</u>
Revenue over/(under) expenditures	1,125,585	14,840	70,689	1,211,114
Other financing sources/(uses)				
Operating transfers in	197,223	17,252	650,000	864,475
Operating transfers out	<u>(667,252)</u>	<u> </u>	<u>(197,223)</u>	<u>(864,475)</u>
Net change in fund balance	655,556	32,092	523,466	1,211,114
Fund balance, beginning of year	<u>2,621,944</u>	<u>647,602</u>	<u>2,269,237</u>	<u>5,538,783</u>
Fund balance, end of year	<u>\$ 3,277,500</u>	<u>\$ 679,694</u>	<u>\$ 2,792,703</u>	<u>\$ 6,749,897</u>

See accompanying notes to financial statements.

NORTH CENTRAL FIRE PROTECTION DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF
REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
TO CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances – total governmental funds	\$ 1,211,114
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period	(115,005)
Governmental funds report principal reductions of long-term liabilities as expenditures. However, in the government-wide financial statements principal reductions of long-term liabilities reduce debt and are not included within the statement of activities. This is the amount of principal reductions of long-term debt during the current period.	201,389
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds	<u>46,131</u>
Change in net position of governmental activities	<u>\$ 1,343,629</u>

See accompanying notes to financial statements.

NORTH CENTRAL FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

Note 1: Summary of Significant Accounting Policies

The North Central Fire Protection District was formed by resolution of the Board of Supervisors of Fresno County on December 11, 1945, under the provisions of Section 14001 et seq. of the Health and Safety Code of the State of California. Effective September 6, 1966, the District was automatically considered as reorganized and operating under the Fire Protection Law of 1961 covered in Section 13801-13998 of the Health and Safety Code. The District is governed by an elected Board of Directors.

A. Financial Reporting Entity

As required by generally accepted accounting principles, the financial statements present the District in conformity with GASB Statement No. 14, "The Financial Reporting Entity." Under Statement No. 14, component units are entities that are included in the District's financial reporting due to the significance of their operational or financial relationships with the District. The District has no component units.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements, which are the statement of net position and the statement of activities, report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and 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 activity are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenue includes charges to customers and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported in separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the District are prepared in accordance with generally accepted accounting principles. The District's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with the GASB pronouncements. The District's reporting entity does not apply FASB pronouncements of APB opinions issued after November 30, 1989.

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 liabilities are incurred, regardless of the timing of related cash flow. Property taxes are recognized as revenue in the year in which they are levied. Grants and similar items are recognized as revenue when all eligibility requirements imposed by the provider have been met.

NORTH CENTRAL FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

Note 1: Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, District revenues are available if they are collected within 90 days of the end of the current period. Expenditures generally are recorded when liabilities are incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The District reports the following major governmental funds:

The General Fund is the District's major operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Emergency Medical Services (EMS) – Zone 1 Fund accounts for the activities of the District's emergency medical services operations.

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by EMS – Zone 1 Fund).

Amounts reported as program revenue include charges to customers for goods and services, operating grants and contributions and capital grants and contributions.

D. Assets, Liabilities and Net Position or Equity

1. Cash and Investments

Investments are reported at fair value. Cash represents cash on hand and in banks. Investments made from pooled cash consist primarily of short-term investments.

2. Receivables

Receivables consist primarily of billed, but unpaid amounts, property taxes and interest on funds deposited with the Fresno County Treasury.

3. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of five years. All material fixed assets are valued at historical cost. Donated fixed assets are valued at their estimated fair value on the date donated. When an asset is disposed of, cost and related accumulated depreciation is removed and any gain or loss arising from its disposal is credited or charged to operations.

NORTH CENTRAL FIRE PROTECTION DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2015

Note 1: Summary of Significant Accounting Policies (continued)

Assets, Liabilities and Net Position or Equity (continued)

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.

Depreciation is recorded by using the straight-line method. The book value of each asset is reduced by equal amounts over its estimated useful life as follows:

	<u>Estimated Useful Life in Years</u>
Buildings	50
Land improvements	1 – 20
Equipment	5 – 20

4. Net Position/Fund Equity

Net position present the difference between assets and liabilities in the statement of net position. Net position invested in capital assets are reduced by the outstanding balances of any borrowings used for the acquisition or improvement of those assets.

In the fund financial statements, governmental funds report fund balance amounts in the following classifications: Nonspendable, restricted, committed, assigned and unassigned. Nonspendable amounts represent inventories, prepaid items and long-term receivables. Restricted amounts have been restricted by external bodies. Committed amounts have been restricted by the District’s governing board. Assigned amounts represent tentative designations by the District. Unassigned amounts are spendable and are not restricted, committed or assigned.

5. Net Position

Net position comprise the various net earnings from operating income, nonoperating revenue and expense and capital contributions. Net position are classified in the following three components:

Invested in capital assets, net of related debt – This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvements of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net asset components as the unspent proceeds.

Restricted – This component of net position consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – This component of net position consists of net position that do not meet the definition of restricted or invested in capital assets, net of related debt.

NORTH CENTRAL FIRE PROTECTION DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2015

Note 1: Summary of Significant Accounting Policies (continued)

E. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

F. Budgets and Budgetary Accounting

The District established a budget for its governmental fund for the year ended June 30, 2015. The budget is adopted on a basis consistent with generally accepted accounting principles (GAAP).

Note 2: Cash and Cash Equivalents

The District's deposits as of June 30, 2015, were entirely covered by federal depository insurance or otherwise collateralized. The Government Code of the State of California requires California financial institutions to secure District deposits by pledging government securities as collateral.

The District does not have an investment policy independent of what is allowed under the California Government Code.

The following is an analysis of cash as of June 30, 2015:

	Bank Balance Category*			Carrying Amount
	1	2	3	
Cash on hand	\$ 1,544	\$	\$	\$ 1,544
Cash in treasury of County of Fresno		6,425,908		6,425,908
Cash in bank	254,047	46,385		300,432
	\$ 255,591	\$ 6,472,293	\$	\$ 6,727,884

* These categories are as follows:

Category 1: Cash on hand or insured by the Federal Deposit Insurance Corporation or collateralized with securities held by the District or by its agents in the District's name.

Category 2: Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

Category 3: Uncollateralized.

NORTH CENTRAL FIRE PROTECTION DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2015

Note 3: Capital Assets

The following is an analysis of the District's capital assets for the year ended June 30, 2015:

	<u>July 1, 2014</u>			<u>June 30, 2015</u>
	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
Capital assets not being depreciated:				
Land	\$ 122,762	\$	\$	\$ 122,762
Capital assets being depreciated:				
Structures and improvements	3,199,770	172,131		3,371,901
Equipment, furniture and fixtures	979,180			979,180
Apparatus and vehicles	<u>2,846,413</u>			<u>2,846,413</u>
Total capital assets	7,148,125	172,131		7,320,256
Less allowance for depreciation	<u>(3,346,959)</u>	<u>(287,136)</u>		<u>(3,634,095)</u>
	<u>\$ 3,801,166</u>	<u>\$ (115,005)</u>	<u>\$</u>	<u>\$3,686,161</u>

Note 4: Noncurrent Liabilities

The following is a summary of deferred liabilities (long-term debt) for the year ended June 30, 2015:

	<u>Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u>	<u>Classification</u>	
					<u>Balance</u>	<u>Balance</u>
					<u>One Year</u>	<u>Than One Year</u>
Lease payable	\$3,500,600	\$	\$ 201,390	\$3,299,210	\$ 216,672	\$3,082,538
Health benefits	66,431		39,880	26,551	3,300	23,251
Compensated absences	<u>31,853</u>			<u>31,853</u>	<u>10,618</u>	<u>21,235</u>
	<u>\$3,598,884</u>	<u>\$</u>	<u>\$ 241,270</u>	<u>\$3,357,614</u>	<u>\$ 230,590</u>	<u>\$3,127,024</u>

Lease Payable

In June 2011, the District secured financing to pay the outstanding balance of the unfunded actuarial pension liability due to Fresno County Employees Retirement Association in the amount of \$4,000,000. To facilitate the financing, the District entered into a non-abatement lease with the Public Property Financing of California (PPFCC). Under the terms of the lease, the District agreed to lease certain real property and improvements to PPFCC in consideration for a one-time upfront rental payment of approximately \$4,100,000, funded by Bank of America. PPFCC has agreed to assign its right to receive the lease payments from the District to Bank of America. The initial lease payment of \$273,371 was paid in February 2012. Subsequent semi-annual payments of \$229,251 are due through August 2025. All lease payments include interest at the rate of 7.45 percent per annum. Real property and improvements subject to the lease were used as collateral for the financing.

NORTH CENTRAL FIRE PROTECTION DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2015

Note 4: Noncurrent Liabilities (continued)

The annual debt service requirements for the financing as of June 30, 2015, are as follows:

Due During the Period Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 216,673	\$ 241,828	\$ 458,501
2017	233,114	225,387	458,501
2018	250,805	207,696	458,501
2019	269,838	188,663	458,501
2020	290,315	168,186	458,501
2021 - 2025	1,817,448	475,061	2,292,509
2026	<u>221,018</u>	<u>8,233</u>	<u>229,251</u>
	<u>\$3,299,211</u>	<u>\$1,515,054</u>	<u>\$4,814,265</u>

Note 5: Retirement Plans

In 2004, the County of Fresno issued pension obligation bonds to extinguish a portion of the County's unfunded actuarial accrued liability in the Fresno County Employers Retirement Association. The District remains obligated to make contributions to the County for its portion of the pension obligation bonds relating to unfunded liabilities for the years in which the District had employees participating in the County's retirement plan. The District's pension obligation bond contributions to the County of Fresno were \$416,450 for the year ended June 30, 2015. Similar amounts, adjusted annually for inflation, are expected to be paid by the District through June 30, 2035.

Note 6: Interfund Transfers

The following is a summary of District operating transfers for the year ended June 30, 2015:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund - Suppression	\$ 197,223	\$ 667,252
EMS - Zone 1 Fund	17,252	
Capital Projects Fund	<u>650,000</u>	<u>197,223</u>
	<u>\$ 864,475</u>	<u>\$ 864,475</u>

NORTH CENTRAL FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

Note 7: Joint Venture

The District participates in one joint venture under a joint powers agreement (JPA); the Fire Agencies Insurance Risk Authority. The relationship between the District and the JPA is such that the JPA is not a component unit of the District for financial reporting purposes.

The Fire Agencies Insurance Risk Authority (FAIRA) arranges for liability and property insurance for its members, all of which are fire districts located within California. FAIRA is governed by a board of directors consisting of representatives from member districts. The board controls the operations of FAIRA, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board. Each member district pays a premium commensurate with the level of coverage required and shares surpluses and deficits proportionately to their participation in FAIRA.

Note 8: City of Fresno Service Agreement

In December 2006, the District entered into a service agreement with the City of Fresno. Under the terms of the agreement, the City is to provide fire protection and emergency services to the District within the District's territorial limits. The term of the agreement is for 30 years, beginning July 1, 2007. The initial annual base fee of approximately \$4,350,000 is adjusted each year by the lesser of the change in the All Urban Consumers California Consumer Price Index for the previous year or the percentage of the District's tax revenue growth. The base annual fee can also be adjusted by consensual agreement by the District and the City for changes in service level demands. The annual fee is due in two installments on December 31st and April 30th of each year. Payments under the agreement and subsequent amendments for the year ended June 30, 2015 were \$4,944,674.

Note 9: Expenditures in Excess of Appropriation

Actual expenditures exceed budgeted expenditures for the year ended June 30, 2015 as follows:

General Fund	\$ 138,624
EMS - Zone 1 Fund	20,649

Note 10: Board of Directors

Members of the Board of Directors as of June 30, 2015, were as follows:

Rusty Nonini	Chairperson
Ken Abrahamian	Vice Chairperson
Cheryl Belluomini	Secretary
Keith Koligian	Director
Rusty Souza	Director

SUPPLEMENTARY INFORMATION

NORTH CENTRAL FIRE PROTECTION DISTRICT
GENERAL FUND - SUPPRESSION
STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	<u>General Fund - Suppression</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenue			
Property and sales taxes	\$ 6,371,319	\$ 6,515,609	\$ 144,290
Other	51,200	96,539	45,339
Use of money and property	84,150	92,594	8,444
Intergovernmental	<u>75,760</u>	<u>82,696</u>	<u>6,936</u>
Total revenue	<u>6,582,429</u>	<u>6,787,438</u>	<u>205,009</u>
Expenditures			
Current			
Operations	4,622,315	4,603,893	18,422
Personnel	498,193	485,255	12,938
Capital outlay		172,131	(172,131)
Debt service	<u>402,721</u>	<u>400,574</u>	<u>2,147</u>
Total expenditures	<u>5,523,229</u>	<u>5,661,853</u>	<u>(138,624)</u>
Revenue over/(under) expenditures	1,059,200	1,125,585	66,385
Other financing sources/(uses)			
Operating transfers in/(out)	<u>(650,000)</u>	<u>(470,029)</u>	<u>179,971</u>
Net change in fund balance	409,200	655,556	246,356
Fund balance, beginning of year	<u>2,621,944</u>	<u>2,621,944</u>	<u> </u>
Fund balance, end of year	<u>\$ 3,031,144</u>	<u>\$ 3,277,500</u>	<u>\$ 246,356</u>

See accompanying notes to financial statements.

NORTH CENTRAL FIRE PROTECTION DISTRICT
EMS - ZONE 1 FUND
STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	EMS - Zone 1 Fund		
	Budget	Actual	Variance
Revenue			
Property and sales taxes	\$ 755,757	\$ 776,823	\$ 21,066
Use of money and property	11,600	13,027	1,427
Intergovernmental	8,905	10,654	1,749
Other	1,500		(1,500)
Total revenue	<u>777,762</u>	<u>800,504</u>	<u>22,742</u>
Expenditures			
Current			
Operations	640,231	657,263	(17,032)
Personnel	69,004	70,474	(1,470)
Capital outlay			
Debt service	<u>55,780</u>	<u>57,927</u>	<u>(2,147)</u>
Total expenditures	<u>765,015</u>	<u>785,664</u>	<u>(20,649)</u>
Revenue over/(under) expenditures	12,747	14,840	2,093
Other financing sources/(uses)			
Operating transfers in/(out)		<u>17,252</u>	<u>17,252</u>
Net change in fund balance	12,747	32,092	19,345
Fund balance, beginning of year	<u>647,602</u>	<u>647,602</u>	
Fund balance, end of year	<u>\$ 660,349</u>	<u>\$ 679,694</u>	<u>\$ 19,345</u>

See accompanying notes to financial statements.

NORTH CENTRAL FIRE PROTECTION DISTRICT
 CAPITAL PROJECTS FUND
 STATEMENT OF REVENUE, EXPENDITURES AND
 CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2015

	<u>Capital Projects Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenue			
Use of money and property	\$ 38,884	\$ 49,987	\$ 11,103
Property taxes	8,500	18,117	9,617
Other	<u>800</u>	<u>2,604</u>	<u>1,804</u>
Total revenue	<u>48,184</u>	<u>70,708</u>	<u>22,524</u>
Expenditures			
Current			
Operations	20,000	19	19,981
Personnel			
Capital outlay	492,606		492,606
Debt service			
Total expenditures	<u>512,606</u>	<u>19</u>	<u>512,587</u>
Revenue over/(under) expenditures	(464,422)	70,689	535,111
Other financing sources/(uses)			
Operating transfers in/(out)	<u>650,000</u>	<u>452,777</u>	<u>(197,223)</u>
Net change in fund balance	185,578	523,466	337,888
Fund balance, beginning of year	<u>2,269,237</u>	<u>2,269,237</u>	
Fund balance, end of year	<u>\$ 2,454,815</u>	<u>\$ 2,792,703</u>	<u>\$ 337,888</u>

See accompanying notes to financial statements.

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

INDEPENDENT AUDITOR'S REPORT

September 16, 2015

Board of Directors
North Central Fire Protection District
Kerman, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of North Central Fire Protection District as of and for the year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 16, 2015.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency or 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*, or a combination of Deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of the 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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Sanborn and Sanborn
Accountancy Corporation*

CERTIFIED PUBLIC ACCOUNTANTS