

BOARD OF SUPERVISORS

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**STANISLAUS CONSOLIDATED
FIRE PROTECTION DISTRICT**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

JUNE 30, 2011

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Craig R. Fechter, CPA
Scott A. German, CPA

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Stanislaus Consolidated Fire Protection District
Modesto, California

We have audited the accompanying financial statements of the government activities, each major fund, and the aggregate remaining fund information of the Stanislaus Consolidated Fire Protection District, a component unit of the County of Stanislaus, California as of and for the year ending June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Because of the inadequacy of accounting records pertaining to fixed assets and accumulated depreciation, we were unable to form an opinion regarding the amounts at which these items are recorded in the accompanying balance sheet as of June 30, 2011, or the amount of depreciation expense recorded in the statement of activities for the year then ended. The fixed assets in question were, as represented by management, acquired between 1995 (inception) and 2003. Our testing of current year fixed asset transactions was not impaired.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had records pertaining to fixed assets and accumulated depreciation been adequate, the financial statements referred to above present fairly, in all material aspects, the financial position of Stanislaus Consolidated Fire Protection District as of June 30, 2011, and the results of its activities and cash flow for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Board of Directors
Stanislaus Consolidated Fire Protection District
Modesto, California

The management's discussion and analysis and budgetary comparison schedule - General Fund on pages 5 through 7 and 29, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, we have also issued our report 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 grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Fechter & Company, CPAs

A handwritten signature in cursive script that reads "Fechter & Company, CPAs". The signature is written in black ink and is positioned above the printed name of the firm.

Sacramento California
December 15, 2011



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

December 16, 2010

MANAGEMENT DISCUSSION AND ANALYSIS

Fiscal Year Ending June 30, 2011

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, 2011. 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.

FINANCIAL ANALYSIS
FY 2010-2011

	<u>09-10</u>	<u>10-11</u>
ASSETS		
Capital Assets	\$ 2,537,114	\$ 2,370,289
Other Assets	7,309,351	8,917,516
	<u>9,846,465</u>	<u>11,287,805</u>
LIABILITIES		
Other	1,774,733	4,995,185
	<u>1,774,733</u>	<u>4,995,185</u>
NET ASSETS		
Investment in Capital Assets	2,537,114	2,370,289
Restricted Development Fee Assets	1,082,868	1,139,007
Unrestricted	4,451,750	2,783,324
	<u>8,071,732</u>	<u>6,292,620</u>
TOTAL NET ASSETS	<u>\$ 8,071,732</u>	<u>\$ 6,292,620</u>
PROGRAM REVENUES		
Charges for Services	\$ 5,820,269	\$ 5,917,417
TOTAL PROGRAM REVENUES	<u>5,820,269</u>	<u>5,917,417</u>
GENERAL REVENUES		
Property Tax Revenue	2,554,487	2,567,882
Developer Fee Revenue	77,572	43,564
Use of Money and Property	89,892	78,454
Reimbursements	50,286	0
Miscellaneous	50,355	11,800
	<u>8,641,010</u>	<u>8,619,117</u>
TOTAL REVENUES	8,641,010	8,619,117
TOTAL EXPENSES	(7,134,398)	(10,398,229)
CHANGE IN NET ASSETS	1,506,612	(1,779,112)
NET ASSETS BEGINNING OF YEAR	<u>6,565,120</u>	<u>8,071,732</u>
ENDING NET ASSETS	<u>\$ 8,071,732</u>	<u>\$ 6,292,620</u>

FINANCIAL ANALYSIS OF DISTRICT AS A WHOLE

The District completed the year with a negative change in net assets of (\$1,779,112), indicating the financial position of the District declined. The change is primarily due to the restructuring of the long-term debt obligation for the CalPERS safety side-fund which took the obligation from the CalPERS Annual Pension Costs and is now a part of Long-Term Debt. The decline in revenue has continued due to the current economic National crisis.

An analysis of the District's actual program expenditures compared with the FY 2010/2011 Final Budget show us over budget (\$2,953,586). The Primary reason was the restructuring of the long-term debt obligation for the CalPERS safety side-fund. The bond obligation was used to pay-off CalPERS and is now a ten-year payment plan to Bank of New York Mellon. It is scheduled to be paid-off in 2021 and should save the District approximately \$388,000 in interest cost. The CalPERS rate has since been adjusted down to compensate for the pay-off.

The addition of new HVAC units to the rear of Station 36 and the remodel of the kitchens at Stations 31 & 32 best describes the significant capital asset activity for the fiscal year.

This is the eighth year the District is reporting under the new accounting rules formulated by GASB Statement No. 34. The District continues to improve our records pertaining to fixed assets.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District's funds include a General Fund, which finances operations and some capitol projects; and a Restricted Fund, which funds some capitol projects. The Restricted Fund captures development fees including Impact and CEQA fees.

The Restricted Fund shows a balance of \$56,139 more than last year. Our CEQA Fees collected for the year were \$13,388, significantly down from previous fiscal years. Our Impact Fees collected were \$30,176, slightly up from the previous year.

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 seven years ago. This is the sixth year the additional revenue from the special assessment will be realized. After discovering inaccuracies in the tax rolls, a parcel audit was started in FY 07-08 and was completed in FY 08-09. The audit ensured more accurate billing for parcels upon completion. The revenue generated by the special assessment will assist with the District's ability to provide effective fire protection currently and into the future. The special assessment is not all encompassing and does not absolve the District from being financially responsible. The District will need to look at other means for adding revenue and utilize the cost of living increase allowed in our special assessment in order to meet our current and future service demands.

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 money it receives. If you have 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
STATEMENT OF NET ASSETS

June 30, 2011

ASSETS	
Cash and investments	\$ 8,093,315
Accounts receivable	56,972
Due from other governments	689,681
Capital assets, net	2,370,289
Bond issuance costs, net	<u>77,548</u>
TOTAL ASSETS	<u>11,287,805</u>
LIABILITIES	
Accounts payable	\$ 10,445
Accrued payroll	87,701
Accrued interest	16,414
Current portion of long-term debt	<u>61,500</u>
Total Current liabilities	176,060
Compensated absences	1,670,825
Long-term debt	<u>3,148,300</u>
TOTAL LIABILITIES	<u>4,995,185</u>
NET ASSETS	
Invested in capital assets, net of related debt	2,370,289
Restricted for:	
Development fee reserves	1,139,007
Unrestricted	<u>2,783,324</u>
NET ASSETS	<u>\$ 6,292,620</u>

The accompanying notes are an integral part of these financial statements

STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Assets
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	
Governmental Activities:					
Public Safety	\$ 10,398,229	\$ -	\$ -	\$ -	\$ (10,398,229)
Total Governmental Activities	\$ 10,398,229	\$ -	\$ -	\$ -	(10,398,229)
General Revenues					
					2,567,882
					5,917,417
					30,176
					13,388
					78,454
					11,800
					8,619,117
					(1,779,112)
					8,071,732
					\$ 6,292,620

The accompanying notes are an integral part of these financial statements

FUND FINANCIAL STATEMENTS

STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2011

ASSETS	General Fund	CEQA RVB	CEQA - W/H	Dev fee - RVB	Dev fee - W/H	Totals
Cash and investments	\$ 6,971,485	\$ 670,483	\$ 278,386	\$ 25,223	\$ 147,738	\$ 8,093,315
Accounts receivable	56,072	900	-	-	-	56,972
Due from other funds	-	2,870	528	13,568	-	16,966
Taxes receivable	689,681	-	-	-	-	689,681
TOTAL ASSETS	\$ 7,717,238	\$ 674,253	\$ 278,914	\$ 38,791	\$ 147,738	\$ 8,856,934
LIABILITIES						
Accounts payable	\$ 10,445	\$ -	\$ -	\$ -	\$ -	\$ 10,445
Accrued payroll	87,701	-	-	-	-	87,701
Due to other funds	16,277	-	-	689	-	16,966
Deferred revenue	689,681	-	-	-	-	689,681
Total liabilities	804,104	-	-	689	-	804,793
FUND BALANCES						
Fund balance:						
Restricted for capital purchas	-	674,253	278,914	38,102	147,738	1,139,007
Unassigned fund balance	6,913,134	-	-	-	-	6,913,134
Total fund balance	6,913,134	674,253	278,914	38,102	147,738	8,052,141
TOTAL LIABILITIES AND FUND BALANCES	\$ 7,717,238	\$ 674,253	\$ 278,914	\$ 38,791	\$ 147,738	\$ 8,856,934

The accompanying notes are an integral part of these financial statements

STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
June 30, 2011

Total fund balances - governmental funds \$ 8,052,141

In governmental funds, only current assets are reported.
In the statement of net assets, all assets are reported,
including capital assets and accumulated depreciation.

Capital assets at historical cost, net of accumulated depreciation 2,370,289
Bond issuance costs 77,548

Revenues that are not available to pay current obligations are not reported
in the fund financial statements but are reported in the Statement of Net

Long-term taxes receivable 689,681

Long-term liabilities are not due and payable in the current period and, therefore
are not reported in the funds. Those liabilities consist of:

Accrued interest (16,414)
Long-term debt (3,209,800)
Accrued compensated absences (1,670,825)

Net assets of governmental activities \$ 6,292,620

The accompanying notes are an integral part of these financial statements

**STANISLAUD CONSOLIDATED FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

	General fund	CEQA fee - RVB	CEQA fee - W/H	Dev fee - RVB	Dev fee - W/H	Totals
REVENUES						
Property taxes	\$2,434,888	\$ -	\$ -	\$ -	\$ -	\$2,434,888
Special assessments	5,917,417	-	-	-	-	5,917,417
Development fees	-	-	-	7,090	23,086	30,176
CEQA fees	-	9,182	4,206	-	-	13,388
Use of money and property	65,879	7,535	3,414	212	1,414	78,454
Miscellaneous	11,800	-	-	-	-	11,800
Total revenues	8,429,984	16,717	7,620	7,302	24,500	8,486,123
EXPENDITURES						
Current:						
Salaries and benefits	9,136,502	-	-	-	-	9,136,502
Services and supplies	907,592	-	-	-	-	907,592
Capital outlay	192,051	-	-	-	-	192,051
Total expenditures	10,236,145	-	-	-	-	10,236,145
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	(1,806,161)	16,717	7,620	7,302	24,500	(1,750,022)
OTHER FINANCIAL SOURCES						
Proceeds of long-term debt	3,209,800	-	-	-	-	3,209,800
Total other financial sources (uses)	3,209,800	-	-	-	-	3,209,800
EXCESS OF REVENUE AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	1,403,639	16,717	7,620	7,302	24,500	1,459,778
FUND BALANCES, BEGINNING OF YEAR	5,509,495	657,536	271,294	30,800	123,238	6,592,363
FUND BALANCE, END OF YEAR	\$6,913,134	\$ 674,253	\$ 278,914	\$ 38,102	\$ 147,738	\$8,052,141

The accompanying notes are an integral part of these financial statements

**STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT
RECONCILIATION OF THE STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2011**

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures, and Change in Fund Balances, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Assets of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCES	\$ 1,459,778
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Amounts reported for governmental activities in the Statement of Activities are different because of the following:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay expenditures are therefore added back to fund balances	192,051
Depreciation expense not reported in governmental funds	(358,876)
Bond issuance costs	77,548

Assessment revenues that are not available to pay current obligations are not reported in the fund financial statements, but are reported in the statement of net Assets

Increase in assessment receivable	132,994
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The amounts below included in the Statement of Activities do not provide or require the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change):

Change in accrued interest	(16,414)
Change in compensated absences	(56,393)
Proceeds of long-term debt	(3,209,800)
	(3,209,800)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ (1,779,112)</u>
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The accompanying notes are an integral part of these financial statements

STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Stanislaus Consolidated Fire Protection District, (the District), was formed on March 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 the 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 throughout 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 statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. The effect of interfund 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 extent 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 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 related cash flows. Property taxes are recognized as revenues 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, 2011

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 decreases (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:

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, 2011

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 (one Riverbank Fund and one Waterford-Hickman Fund) – These Funds are maintained for construction fees collected on development projects subject to the California Environmental Quality Act process (CEQA fees). The CEQA Reserve Funds are used for the purchase, or to assist in 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 (one Riverbank Fund and one Waterford-Hickman Fund) - These Funds are maintained for 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, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

Revenue

Revenue to finance the District's operation 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 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 to distribute 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 according, 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>
1st Apportionment	By December 25	55 Percent
2 nd Apportionment	By April 25	40 Percent
3 rd Apportionment	By June 25	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 the 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.

STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

Property, Plant and Equipment

Fixed assets are recorded in the General Fixed Assets Account Group at actual cost or estimated historical cost if actual cost is not available. Assets costing \$1,000 or more and with an expected life of 5 years or more are capitalized. Donated fixed assets are valued at 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.

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

Assets	Years
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 years 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. Employees may convert up to a maximum of one half of any sick leave available.

Allowance for Doubtful Accounts

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

New Pronouncements

Effective July 1, 2010, the District implemented the following accounting and financial reporting standards:

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.

STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

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 funds can be spent. Fund balances are now broken out in five categories:

- Nonspendable 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.
- 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.

NOTE 2: CASH AND INVESTMENTS

Cash at June 30, 2011, consisted of the following:

	<u>Cost</u>	<u>Fair Value</u>
Deposits:		
Cash in Banks	\$ 2,475,266	\$ 2,475,266
Certificates of Deposit	1,023,894	1,023,894
Pooled Funds:		
Cash in County Treasury	<u>4,594,155</u>	<u>4,594,155</u>
Total Funds	<u>\$ 8,093,315</u>	<u>\$ 8,093,315</u>

Custodial Credit Risk

At June 30, 2011, the carrying amount of the deposits held at banks was \$2,475,266 and the bank balances totaled \$2,475,266. The bank balances are insured by the FDIC for \$250,000 and the remaining was collateralized, as required by California Government Code 53630, by the pledging financial institution with assets held in a common pool for the District and other governmental agencies. State law requires that the collateral be equal to or greater than 100% of all public deposits held with the

STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 2: CASH AND INVESTMENTS – (continued)

pledging financial institution if government securities are used or 150% if mortgages are used as the collateral.

Authorized Investments

California statutes authorize 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

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.

STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 2: CASH AND INVESTMENTS – (continued)

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation 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, 2011:

	Balance 6/30/10	Additions	Deletions	Balance 6/30/11
Land and Buildings	\$ 798,864	\$ 63,958	\$ -	\$ 862,822
Construction in Progress	-	42,085	-	42,085
Equipment	5,217,643	86,008	-	5,303,651
Total	6,016,507	192,051	-	6,208,558
Accumulated Depreciation				
Buildings	(316,559)	(27,117)	-	(343,676)
Equipment	(3,162,834)	(331,760)	-	(3,494,594)
Total	(3,479,393)	(358,876)	-	(3,838,269)
Net Capital Assets	\$ 2,537,114	\$(166,825)	\$ -	\$ 2,370,289

Total depreciation expense for the year was \$358,876, all charged to the public safety function.

NOTE 4: PENSION PLANS

Plan Description

Qualified employees are covered under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 4: PENSION PLANS – (continued)

Funding Policy

The contribution requirements of the plan members are established by state statute. The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the contribution rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the fiscal year 2010-2011 was 30.556 percent of annual payroll for safety employees and 17.554 percent of annual payroll for miscellaneous employees. Employees who are members of the Stanislaus Consolidated Firefighters Union Local 3399 contribute 9.000 percent of pay, and the District funds the remaining required contributions.

Annual Pension Cost

For fiscal year 2010-2011, the District's annual pension cost of \$1,001,377 was equal to the District's required and actual contributions. The required contribution for the fiscal year 2010-2011 was determined as part of the June 30, 2008 actuarial valuation using entry age normal actuarial cost method with contributions determined as a percent of pay. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.25% to 14.45% depending on age, service and type of employment; (c) 3.25% overall payroll growth; and (d) an inflation rate of 3.0%. The actuarial value of the plan's assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a two to fifteen year period depending on the size of the unfunded liability being amortized as a level percentage of projected payroll on a closed basis.

The funding history of the safety plan is as follows:

Valuation Date	Accrued Liabilities (AL)	Actuarial Value of Assets (AVA)	Unfunded Liabilities (UL)	Funded Ratio (AVA/AL)	Annual Covered Payroll	UL As a % of Payroll
06/30/2006	\$7,278,049,834	\$6,102,615,567	\$1,175,434,267	83.9%	\$754,730,438	155.7%
06/30/2007	\$7,986,055,176	\$6,826,599,459	\$1,159,455,717	85.5%	\$831,607,658	139.4%
06/30/2008	\$8,700,467,733	\$7,464,927,716	\$1,235,540,017	85.8%	\$914,840,596	135.1%

The funding history of the miscellaneous plan is as follows:

Valuation Date	Accrued Liabilities (AL)	Actuarial Value of Assets (AVA)	Unfunded Liabilities (UL)	Funded Ratio (AVA/AL)	Annual Covered Payroll	UL As a % of Payroll
06/30/2006	\$1,280,157,040	\$1,069,546,974	\$210,610,066	83.6%	\$304,898,179	69.1%
06/30/2007	\$1,627,025,950	\$1,362,059,317	\$264,966,633	83.7%	\$376,292,121	70.4%
06/30/2008	\$1,823,366,479	\$1,529,548,799	\$293,817,680	83.9%	\$414,589,514	70.9%

STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 5: LONG-TERM DEBT

Changes in Long-Term Debt are summarized below:

	Balance 6/30/2009	Additions	Reductions	Balance 6/30/2010
Compensated Absences	\$ 1,614,432	\$ 56,393	\$ -	\$1,670,825
Pension Obligation Bond	-	3,209,800	-	3,209,800
Total	\$ 1,614,432	\$3,266,193	\$ -	\$4,880,625

On May 19, 2011, the District's board of directors issued a resolution authorizing the issuance and sale of pension obligation bonds to refinance outstanding side fund obligations of the District to the California Public Employees' Retirement System. The Board approved the issuance of pension obligation bonds in an aggregate principal 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, 2011, the principal balance due on the bonds was \$3,209,800. Principal and interest payments are due at January 15th and July 15th 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:

Year ending June 30	Principal	Interest
2012	\$ 61,500	\$ 102,089
2013	177,800	155,293
2014	199,000	146,063
2015	221,500	135,918
2016	245,600	124,548
2017-2021	1,650,100	406,330
2022-2026	654,300	33,179
Totals	\$3,209,800	\$1,103,420

**STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 6: INTERFUND 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 interfund balances as of June 30, 2011, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
CEQA – RVB	General	\$ 2,870
CEQA – W/H	General fund	528
Dev fee – RVB	General	<u>13,568</u>
	Total	<u>\$ 16,966</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 Empire Volunteer Firefighter Association, La Grange Volunteer Firefighter Association, Riverbank Volunteer Fire Department, In., and the Waterford-Hickman Volunteer Association provided volunteer fire fighting assistance to the District. Individual volunteers were paid a total of \$0 during the year.

La Grange Improvement Association provides a firehouse to the District.

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 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. The Districts are responsible for twenty percent of the operational cost of the RFTC and \$132,000 in construction costs. Stanislaus Consolidated Fire Protection District has paid its share of the construction costs in full. The basis of the operational cost distribution for each District shall be calculated on the cost of the "County" portion of the operation budget (20 percent) utilizing the assessed valuation for the unincorporated area in Stanislaus County, as calculated by the County Assessor, in effect as of April for both secured and unsecured property. The percentage amount for each District shall be determined by dividing the District whole dollar amount by the total assessed valuation for all of the unincorporated area.

STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 9: REGIONAL FIRE TRAINING COST SHARING AGREEMENT

The percentage for each District as calculated above shall be multiplied by the "County" portion (20 percent) of the operating budget, with the amount rounded to the nearest whole cent. The resulting dollar amount shall be each of the District's portions of the operational cost obligation.

NOTE 10: RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, 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 such that the JPA is not a component unit of the District for financial reporting purposes. Complete, separate financial statements for the JPA are available from the entity.

Withdrawal from FASIS may be made only at the end of a 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.

STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 11: JOINT VENTURES (JOINT POWERS AGREEMENTS) – (continued)

Condensed financial information of FASIS for the year ended June 30, 2010 is as follows:

Total Assets	\$ 39,423,730
Total Liabilities	<u>(21,694,738)</u>
Net Assets	<u>\$ 17,728,992</u>
Total Revenues	\$ 8,810,680
Total Expenditures	<u>(6,051,871)</u>
Net Income	2,758,809
Investment Activity	<u>2,061,409</u>
Net Increase in Net Asset	<u>\$ 4,820,218</u>

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 District Risk Management Authority (SDRMA).

SDRMA was created pursuant to a Joint Powers Agreement 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-insured losses and, jointly purchasing excess insurance and administrative services in connection with a joint protection program. Participation is voluntary.

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. Complete, separate financial statements for the JPA are available from the entity.

STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 11: JOINT VENTURES (JOINT POWERS AGREEMENTS) – (continued)

Condensed financial information of SDRMA for the year ended June 30, 2010 is as follows:

Total Assets	\$ 93,151,195
Total Liabilities	<u>(48,064,971)</u>
Net Assets	<u>\$ 45,086,324</u>
Total Revenues	\$ 35,824,887
Total Expenditures	<u>(27,232,663)</u>
Net Income	8,592,224
Non-Operating Income and Expenses	<u>3,647,904</u>
Net Increase in Net Assets	<u>\$ 12,240,128</u>

NOTE 12: SUBSEQUENT EVENTS

The District has evaluated subsequent events through December 31, 2011, the date the financial statements were available to be issued, and determined that there were no events occurring subsequent to June 30, 2011 that would have a material impact on the results of operations or its financial position.

**STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT
JUNE 30, 2011**

BOARD MEMBERS

RaeLene Brown	President
Charles Turner	Vice President
Vacant	Director
Armando Garcia	Director
Rich Heckendorf	Director

SUPPLEMENTARY DATA

**STANISLAUS CONSOLIDATED FIRE PROTECTION DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property taxes	\$ 2,057,631	\$ 2,057,631	\$ 2,434,888	\$ 377,257
Special assessments	5,756,202	5,756,202	5,917,417	161,215
Reimbursements	100,000	100,000	-	(100,000)
Use of money and property	16,178	16,178	65,879	49,701
Miscellaneous	61,000	61,000	11,800	(49,200)
	<u>7,991,011</u>	<u>7,991,011</u>	<u>8,429,984</u>	<u>438,973</u>
Expenditures:				
Current:				
Salaries and benefits	6,182,916	6,182,916	9,136,502	(2,953,586)
Services and supplies	954,700	954,700	907,592	47,108
Capital outlay	855,895	855,895	192,051	663,844
	<u>7,993,511</u>	<u>7,993,511</u>	<u>10,236,145</u>	<u>(2,242,634)</u>
Excess of revenues over (under) expenditures	(2,500)	(2,500)	(1,806,161)	2,681,607
Other Financing Sources (Uses)				
Proceeds of long-term debt			<u>3,209,800</u>	
Net changes in fund balances			1,403,639	
Fund balances - July 1, 2010			<u>5,509,495</u>	
Fund balances - June 30, 2011			<u>\$ 6,913,134</u>	



Craig R. Fechter, CPA
Scott A. German, CPA

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

Governing Board
Stanislaus Consolidated Fire Protection District
Modesto, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Stanislaus Consolidated Fire Protection District, as of and for the year ended June 30, 2011, which collectively comprise the Stanislaus Consolidated Fire Protection District's basic financial statements and have issued our report thereon dated December 15, 2011. 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.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters on the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce, to a relatively low level, the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. We noted certain matters that we reported to management of the district in a separate letter dated December 15, 2011.

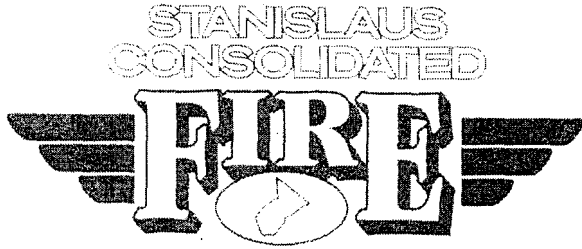
Governing Board
Stanislaus Consolidated Fire Protection District
Modesto, California

This report is intended for the information and use of the audit committee, the governing board, management and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Fechter and Company, CPAs

A large, stylized handwritten signature in black ink that reads "Fechter and Company, CPAs". The signature is written in a cursive, flowing style with large, sweeping letters.

Sacramento, California
December 15, 2011



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

January 9, 2012

Fechter & Company, CPAs
1870 Avondale Avenue Suite 4
Sacramento, CA 95825

We are providing this letter in connection with your audits of the financial statements of the Stanislaus Consolidated Fire Protection District as of June 30, 2011 and the period then ended for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the respective financial position 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 and the respective changes in financial position and cash flows, where applicable, in conformity with U.S. generally accepted accounting principles. We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with U.S. generally accepted accounting principles. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control, and preventing and detecting fraud.

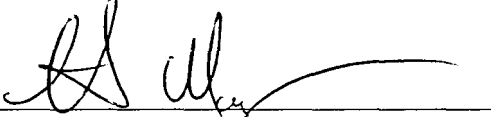
We confirm, to the best of our knowledge and belief, as of June 30, 2011, the following representations made to you during your audit.

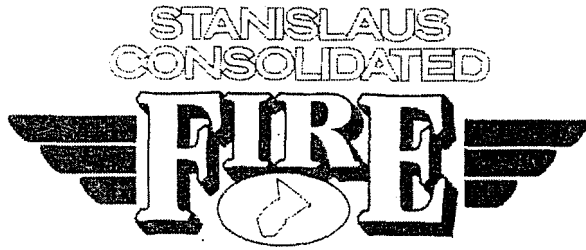
1. The financial statements referred to above are fairly presented in conformity with U.S. generally accepted accounting principles and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
2. We have made available to you all –
 - a. Financial records and related data
 - b. Minutes of the meetings of the Stanislaus Consolidated Fire Protection District
3. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
4. There are not material transactions that have not been properly recorded in the accounting records underlying the financial statements.
5. We believe the effects of the uncorrected financial statement misstatements summarized in the attached schedule are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.
6. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.
7. We have no knowledge of any fraud or suspected fraud affecting the entity involving:
 - a. Management
 - b. Employees who have significant roles in internal control, or
 - c. Others where fraud could have a material effect on the financial statements.

8. We have non knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, or others.
9. The Stanislaus Consolidated Fire Protection District has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
10. The following, if any, have been properly recorded or disclosed in the financial statements:
 - a. Related party transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
 - b. Guarantees, whether written or oral, under which the District is contingently liable.
 - c. All accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates and measurements. We believe the estimates and measurements are reasonable in the circumstances, consistently applied, and adequately disclosed.
11. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
12. There are no-
 - a. Violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
 - b. Unasserted claims or assessments that our lawyer has advised us are probably of assertion and must be disclosed in accordance with Financial Accounting Standards Board (FASB) Statement No. 5, Accounting for Contingencies.
 - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by FASB Statement No. 5.
 - d. Reservations or designations of fund equity that were not properly authorized and approved.
13. As part of your audit, you prepared the draft financial statements and related notes. We have designated a competent employee to oversee your services and have made all management decisions and performed all management functions. We have reviewed, approved and accepted responsibility for those financial statements and related notes.
14. The District has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
15. The District has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
16. The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
17. The financial statements properly classify all funds and activities.
18. All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
19. Net asset components and fund balance reserves and designations are properly classified and, if applicable, approved.
20. We assert none of the receivables listed on the balance sheet as of 6/30/2011 are considered to be uncollectible.
21. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
22. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.

23. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
24. Special and extraordinary items are appropriately classified and reported.
25. Deposits and investment securities are properly classified to risk.
26. Capital assets are properly capitalized, reported, and, if applicable, depreciated.
27. Required supplementary information is measured and presented within prescribed guidelines.

To the best of our knowledge and belief, no events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

Signed: 
Stephen Mayotte, Fire Chief



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

January 9, 2012

Fechter & Company, CPAs
1870 Avondale Avenue Suite 4
Sacramento, CA 95825

We are providing this letter in connection with your audits of the financial statements of the Stanislaus Consolidated Fire Protection District as of June 30, 2011 and the period then ended for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the respective financial position 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 and the respective changes in financial position and cash flows, where applicable, in conformity with U.S. generally accepted accounting principles. We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with U.S. generally accepted accounting principles. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control, and preventing and detecting fraud.

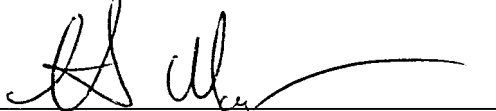
We confirm, to the best of our knowledge and belief, as of June 30, 2011, the following representations made to you during your audit.

1. The financial statements referred to above are fairly presented in conformity with U.S. generally accepted accounting principles and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
2. We have made available to you all –
 - a. Financial records and related data
 - b. Minutes of the meetings of the Stanislaus Consolidated Fire Protection District
3. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
4. There are not material transactions that have not been properly recorded in the accounting records underlying the financial statements.
5. We believe the effects of the uncorrected financial statement misstatements summarized in the attached schedule are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.
6. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.
7. We have no knowledge of any fraud or suspected fraud affecting the entity involving:
 - a. Management
 - b. Employees who have significant roles in internal control, or
 - c. Others where fraud could have a material effect on the financial statements.

8. We have non knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, or others.
9. The Stanislaus Consolidated Fire Protection District has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
10. The following, if any, have been properly recorded or disclosed in the financial statements:
 - a. Related party transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
 - b. Guarantees, whether written or oral, under which the District is contingently liable.
 - c. All accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates and measurements. We believe the estimates and measurements are reasonable in the circumstances, consistently applied, and adequately disclosed.
11. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
12. There are no-
 - a. Violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
 - b. Unasserted claims or assessments that our lawyer has advised us are probably of assertion and must be disclosed in accordance with Financial Accounting Standards Board (FASB) Statement No. 5, Accounting for Contingencies.
 - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by FASB Statement No. 5.
 - d. Reservations or designations of fund equity that were not properly authorized and approved.
13. As part of your audit, you prepared the draft financial statements and related notes. We have designated a competent employee to oversee your services and have made all management decisions and performed all management functions. We have reviewed, approved and accepted responsibility for those financial statements and related notes.
14. The District has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
15. The District has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
16. The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
17. The financial statements properly classify all funds and activities.
18. All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
19. Net asset components and fund balance reserves and designations are properly classified and, if applicable, approved.
20. We assert none of the receivables listed on the balance sheet as of 6/30/2011 are considered to be uncollectible.
21. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
22. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.

23. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
24. Special and extraordinary items are appropriately classified and reported.
25. Deposits and investment securities are properly classified to risk.
26. Capital assets are properly capitalized, reported, and, if applicable, depreciated.
27. Required supplementary information is measured and presented within prescribed guidelines.

To the best of our knowledge and belief, no events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

Signed: 
Stephen Mayotte, Fire Chief