

FAIRVIEW FIRE PROTECTION DISTRICT
BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

FAIRVIEW FIRE PROTECTION DISTRICT

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To the Board of Directors of
Fairview Fire Protection District
Hayward, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major funds of the Fairview Fire Protection District (the District), as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the foregoing table of contents.

Managements' Responsibility for the Financial Statements

Fairview Fire Protection District's 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 an opinion on the 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 *State Controller's Minimum Audit Requirements for California Special Districts*. These standards require that we plan and perform the audit to obtain a reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstance, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the District as of June 30, 2014, and the respective changes in financial position for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the State Controller's Office and State regulation governing special districts.

Other Matters

Accounting principles generally accepted in the United States of America require budget comparison information (page 5) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for planning the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statement, 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.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Cropper Accountancy Corporation

CROPPER ACCOUNTANCY CORPORATION

Walnut Creek, CA

March 23, 2015

**FAIRVIEW FIRE PROTECTION DISTRICT
 COMBINED GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
 STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET
 June 30, 2014**

	General Fund	Adjustments (Note 5)	Statement of Net Position
ASSETS			
Current Assets:			
Emergency medical services	\$ 4,171,191	\$ -	\$ 4,171,191
Prepaid expenses	759,713	-	759,713
Capital Assets, net of accumulated depreciation	-	692,536	692,536
Total Assets	\$ 4,930,904	\$ 692,536	\$ 5,623,440
LIABILITIES AND FUND BALANCE			
Current Liabilities:			
Accounts payable and accrued expenses	17,517	-	17,517
Total Liabilities	17,517	-	17,517
FUND BALANCE			
Nonspendable	759,713	(759,713)	-
Restricted	-	-	-
Committed	-	-	-
Assigned	1,568,160	(1,568,160)	-
Unassigned	2,585,514	(2,585,514)	-
Total Fund Balance	4,913,387	(4,913,387)	-
Fixed assets			
Total Liabilities and Fund Balance	\$ 4,930,904		
NET POSITION			
Investment in capital assets		692,536	692,536
Unrestricted		4,913,387	4,913,387
Total Net Position		\$ 5,605,923	\$ 5,605,923

The accompanying notes are an integral part of the financial statements

FAIRVIEW FIRE PROTECTION DISTRICT
COMBINED GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT
OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2014

	General Fund	Adjustments (Note 6)	Statement of Activities
GENERAL REVENUES			
Property tax and assessments	\$ 2,666,284	\$ -	\$ 2,666,284
Emergency medical services	20,879	-	20,879
Accounts receivable	8,456	-	8,456
Capital Asset Sale	<u>200,000</u>	<u>(200,000)</u>	<u>-</u>
 Total Revenues	 <u>2,895,619</u>	 <u>(200,000)</u>	 <u>2,695,619</u>
EXPENDITURES			
Fire protection services	2,633,739	-	2,633,739
Call dispatch services- 911	31,150	-	31,150
County administrative and collection fees	26,950	-	26,950
Insurance	19,812	-	19,812
Legal and accounting	60,477	-	60,477
Consulting Services	12,343	-	12,343
Weed abatement	4,675	-	4,675
Bookkeeping and clerical	6,049	-	6,049
Utilities	6,225	-	6,225
Director fees and training	5,100	-	5,100
Landscape and janitorial services	5,307	-	5,307
Website related	4,601	-	4,601
Repairs and maintenance	10,179	-	10,179
Fire station equipment	2,742	-	2,742
Depreciation	-	52,841	52,841
Capital Outlay	8,196	(8,196)	-
Loss on sale of fixed asset	-	47,946	47,946
Permit fees	731	-	731
Notices and mailers	7,932	-	7,932
Miscellaneous Administrative Costs	<u>2,242</u>	<u>-</u>	<u>2,242</u>
 Total Expenditures	 <u>2,848,450</u>	 <u>92,591</u>	 <u>2,941,041</u>
 Excess of revenues over (under) Expenditures	 47,169	 (292,591)	 (245,422)
 Fund Balance July 1, 2013	 <u>4,866,218</u>	 <u>985,127</u>	 <u>5,851,345</u>
Fund Balance June 30, 2014	<u>\$ 4,913,387</u>	<u>\$ 692,536</u>	<u>\$ 5,605,923</u>

The accompanying notes are an integral part of the financial statements

FAIRVIEW FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
June 30, 2014

REVENUES	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Taxes	\$ 2,600,000	\$ 2,600,000	\$ 2,666,284	\$ 66,284
Emergency medical services	20,000	20,000	20,879	879
Accounts receivable-ALS	42,893	42,893	-	(42,893)
Interest income	16,000	16,000	8,456	(7,544)
Capital asset sale	-	200,000	200,000	-
Total Revenues	<u>2,678,893</u>	<u>2,878,893</u>	<u>2,895,619</u>	<u>16,726</u>
EXPENDITURES				
Fire protection services	2,623,451	2,623,451	2,633,739	(10,288)
Call dispatch services- 911	35,000	35,000	31,150	3,850
County administrative and collection fees	25,000	25,000	26,950	(1,950)
Insurance	20,000	20,000	19,812	188
Weed abatement	11,000	11,000	4,675	6,325
District election	12,500	12,500	-	12,500
Legal assistance	35,000	35,000	49,027	(14,027)
Audit services	10,000	10,000	11,450	(1,450)
Utilities	5,100	5,100	6,225	(1,125)
Bookkeeping services	3,500	3,500	6,049	(2,549)
Landscape services	5,000	5,000	4,107	893
Fire protection staff (event staffing)	20,000	20,000	-	20,000
Director fees and mileage	5,000	5,000	5,100	(100)
Website	4,500	4,500	4,601	(101)
Alarm system	2,200	2,200	1,554	646
Director training	4,000	4,000	-	4,000
Janitorial services	1,200	1,200	1,200	-
LAFCO cost	700	700	440	260
Consulting services	8,500	8,500	12,343	(3,843)
Notices and mailers	2,000	2,000	7,932	(5,932)
Permits, fees and dues	981	981	781	200
Disaster preparedness program	10,000	10,000	-	10,000
Lease payment to County	1	1	-	1
Maintenance	-	-	8,625	(8,625)
Equipment	-	-	2,742	(2,742)
Supplies	2,490	1,940	1,752	188
Recording secretary	3,500	3,500	-	3,500
Capital outlay	154,338	154,338	8,196	146,142
Total Expenditures	<u>3,004,961</u>	<u>3,004,411</u>	<u>2,848,450</u>	<u>155,961</u>
Excess of revenues over (under) Expenditures	<u>\$ (326,068)</u>	<u>\$ (125,518)</u>	47,169	<u>\$ 172,687</u>
Fund Balance July 1, 2013			<u>4,866,218</u>	
Fund Balance June 30, 2014			<u>\$ 4,913,387</u>	

The accompanying notes are an integral part of the financial statements

FAIRVIEW FIRE PROTECTION DISTRICT
Notes to the Basic Financial Statements
June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Reporting Entity

The Fairview Fire Protection District (District) was established to provide fire protection services within the District's boundaries. Under the terms of a contract between the City of Hayward (COH) and the District on February 1, 1993, the City of Hayward Fire Department took responsibility of providing fire protection services within the district. On February 1, 1993, all District employees became employees of the City of Hayward. The District pays the city of Hayward semi-annually for the cost of these services. The District owns the equipment which is made available to the City of Hayward Fire Department at no cost. The City of Hayward Fire Department is responsible for the maintenance and replacement of the District equipment. The purchase of fire engines and trucks are registered as property of the District.

Basis of Presentation

Government-wide Statements: The Statement of Net Position and the Statement of Activities include the financial activities of the overall District government. Eliminations have been made to minimize the double counting of internal activities.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operation or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements: The fund financial statements provide information about the District's funds. Separate statements for each governmental fund are presented. The emphasis of fund financial statements is on major individual funds, each of which is displayed in a separate column.

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

FAIRVIEW FIRE PROTECTION DISTRICT
Notes to the Basic Financial Statements
June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Major Funds

GASB Statement No.34 defines major funds and requires that the District's major governmental type funds be identified and presented separately in the fund financial statements. Major funds are defined as funds that have either assets, liabilities, revenues, or expenditures equal to ten percent of their fund-type total and five percent of the grand total.

The District reported the following major governmental fund in the accompanying financial statements:

- General Fund – The General Fund is the main operating fund of the District. This fund is used to account for financial resources not accounted for in other funds.

Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when *earned* and expenses are recorded at the time of liabilities are *incurred*, regardless of when the related cash flows take place.

Governmental funds are reported using the *current financial resources* measurement focus and the *modified accrual* basis of accounting. Under this method, revenues are recognized when *measurable and available*. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after fiscal year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt and claims and judgments, which are recognized as expenditures to the extent that have matured. Capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as *other financing sources*.

Non-exchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. The District's policy is to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Formal budgetary integration is employed as a management control device.

FAIRVIEW FIRE PROTECTION DISTRICT
Notes to the Basic Financial Statements
June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes

The District receives property taxes from the County of Alameda (County), which has been assigned the responsibility for assessment, collection, and apportionment of property taxes for all taxing jurisdictions within the County. Secured property taxes are levied on January 1 for the following fiscal year and on which date it becomes a lien on real property. Secured property taxes are due in two installments on November 1 and February 1 and are delinquent after December 10 and April 10. Property taxes on the unsecured roll are due on the January 1 lien date and become delinquent if unpaid by August 31. Property tax revenues are recognized in the fiscal year they are received.

The District participated in the County's "Teeter Plan" method of property tax distribution and thus receives 100% of the District's apportionment each fiscal year, eliminating the need for an allowance for uncollectible. The County, in return, receives all penalties and interest on the related delinquent taxes. Under the Teeter Plan, the County remits property taxes to the District based on assessments, not on collections, according to the following schedule: 55 percent in December, 40 percent in April, and 5 percent at the end of the fiscal year. Property tax is recognized when it is available and measurable. The District considers property tax as available if it is received within 60 days after fiscal year end.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimated and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Capital Assets

Purchased capital assets are stated at historical cost or estimated historical cost when original cost is not available. Donated capital assets are recorded at their estimated fair value at the date on donation. The District's policy is to capitalize all capital assets. Depreciation is recorded using the straight-line method over the estimated useful lives of the capital assets.

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the governmental column in the government-wide financial statements. Depreciation is charges as an expense against operations and accumulated depreciation is reported on the Statement of Net Position. The estimated useful lives are as follows:

Equipment	5 to 20 years
Vehicles	10 to 20 years
Structures	30 years

FAIRVIEW FIRE PROTECTION DISTRICT
Notes to the Basic Financial Statements
June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position and Fund Balances

Fund Balance Reporting

Under GASB Statement No. 54, Fund Balances for governmental funds are 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. The Board of Directors, as the highest level of decision-making authority of the District, commits fund balances through resolutions. The Board has designated certain members of management staff to assign fund balances. These captions apply only to Fund Balance classifications:

- *Nonspendable fund balances* are those amounts that cannot be spent because they are either not in spendable form, or are legally or contractually required to be maintained intact.
- *Restricted fund balances* are those amounts that should be reported as restricted when constraints placed on the use of resources are either
 - Externally imposed by creditors, grantors, contributors, or laws and regulations of other governments; or
 - Imposed by law through constitutional provisions or enabling legislation
- *Committed fund balances* are those amounts that cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.
- *Assigned fund balances* are those amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed, except for stabilization arrangements.
- *Unassigned fund balances* are those residual funds that have not been assigned to other funds, restricted, committed, or assigned to specific purposes. The general fund should be the only fund that reports a positive unassigned fund balance amount.

It is the policy of the district to spend funds in order from restricted to unassigned, as listed above.

Net Position

Net Position is the excess of all the District's assets over all its liabilities, regardless of fund. Net Position are divided into three captions under GASB Statement No. 34. These captions apply only to Net Positions, which is determined only at the government-wide level, and are described below:

- *Invested in Capital, net of related debt* describes the portion of Net Position that is represented by the current net book value of the District's capital assets, less the outstanding balance of any debt issued to finance these assets.

FAIRVIEW FIRE PROTECTION DISTRICT
Notes to the Basic Financial Statements
June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- *Restricted* describes the portion of Net Position that is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulation, laws, or other restrictions which the District cannot unilaterally alter. These principally include developer fees received for use on capital projects, debt service requirements, and redevelopment funds restricted to low and moderate income purposes.
- *Unrestricted* describes the portion of Net Position that is not restricted to use.

2. CASH AND INVESTMENTS

Cash and investments as of June 30, 2014, consist of the following:

Cash with County	\$ 4,171,191
Petty Cash	-
Total Cash and investments	\$ 4,171,191

Investment Authorized by the California Government Code and the District's Investment Policy

The table below identifies the **investment types** that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address **interest rate risk**, **credit risk** and **concentration of credit risk**. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California government Code or the District's investment policy.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
County of Alameda investment pool	N/A	None	None

Disclosures Relating to 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.

FAIRVIEW FIRE PROTECTION DISTRICT
Notes to the Basic Financial Statements
June 30, 2014

2. CASH AND INVESTMENTS (CONTINUED)

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

Investment Type	Totals	Remaining Maturity (in Months)					
		12 Months or Less	13 to 24 Months	25-36 Months	37-48 Months	49-60 Months	More than 60 Months
Deposits with							
County of Alameda	\$4,171,191	\$4,171,191	\$ -	\$ -	\$ -	\$ -	\$ -
	<u>\$4,171,191</u>	<u>\$4,171,191</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End			
				AAA	AA	A	Not Rated
Deposits with							
County of Alameda	\$4,171,191	N/A	\$ -	\$ -	\$ -	\$ -	\$4,171,191
Total	<u>\$4,171,191</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$4,171,191</u>

There are no investments in any one issuer other than deposits with the County of Alameda that represent 5% or more of total District investments.

3. PREPAID EXPENSES

During the year the District purchased equipment totaling \$759,713. This equipment was ordered and paid for during the year but was not received until after June 30, 2014, see Note 7.

FAIRVIEW FIRE PROTECTION DISTRICT
Notes to the Basic Financial Statements
June 30, 2014

4. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2014 was as follows:

	Balance June 30, 2013	Increases	Decreases	Balance June 30, 2014
Capital assets, not being depreciated				
Land	\$ 28,000	\$ -	\$ -	\$ 28,000
Capital assets, being depreciated				
Structures and improvements	380,819	8,196	-	389,015
Vehicles and equipment	1,238,226	-	(454,252)	783,974
Total capital assets, being depreciated	1,619,045	8,196	(454,252)	1,172,989
Less accumulated depreciation	(661,918)	(52,841)	206,306	(508,453)
Total capital assets, being depreciated, net	957,127	(44,645)	(247,946)	664,536
Total capital assets, net	<u>\$ 985,127</u>	<u>\$ (44,645)</u>	<u>\$ (247,946)</u>	<u>\$ 692,536</u>

Land is comprised of two lots. The original lot was acquired July 1962, and is valued at historical cost. The second lot was donated to the District in April 1974, with restrictions on use and is recorded at estimated fair value at the time of donation. Structures and improvements consist of the Old Fairview Fire Protection District Station. The value has not changed since June 1992. The station is currently used to store equipment. Depreciation expense was charged to function/program of the District's Governmental Activities.

During the fiscal year the District sold to the City of Hayward a vehicle for \$200,000 at a loss on the asset of \$47,946 after depreciation. The original purchase price of the asset was \$454,252.

5. RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET WITH THE STATEMENT OF NET POSITION

Reconciling adjustments are as follows:

Total Fund Balance – Governmental General Fund	\$ 4,913,387
Capital assets, net of depreciation	<u>692,536</u>
	<u>692,536</u>
Total net position – Government-wide	<u>\$ 5,605,923</u>

FAIRVIEW FIRE PROTECTION DISTRICT
Notes to the Basic Financial Statements
June 30, 2014

6. RECONCILIATION OF GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES WITH THE STATEMENT OF ACTIVITIES

Reconciling adjustments are as follows:

Excess of Revenues over Expenditures (page 4)	\$ 47,169
Sale of vehicle	(200,000)
Depreciation expense not reported in governmental funds	(52,841)
Capital assets moved to Statement of Net Position	8,196
Loss on sale of vehicle	(47,946)
Change in Net Position of Governmental activities	<u>\$ (245,422)</u>

7. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 23, 2015, the date which the financial statements were available to be issued. Equipment purchased during the year for \$759,713 was received by the District in September 2014. This amount was shown as a prepaid expense on the balance sheet (page 3).