

**CARPINTERIA – SUMMERLAND
FIRE PROTECTION DISTRICT**

**Annual Financial Report
With Independent Auditor's Report Thereon
June 30, 2014**

CARPINTERIA-SUMMERLAND FIRE PROTECTION DISTRICT

**Annual Financial Report
June 30, 2014**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Carpinteria-Summerland Fire Protection District
Carpinteria, California

We have audited the accompanying financial statements of the governmental activities of each major fund of the Carpinteria-Summerland Fire Protection District as of and for the 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 table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Board of Directors
Carpinteria-Summerland Fire Protection District

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund of the Carpinteria-Summerland Fire Protection District as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

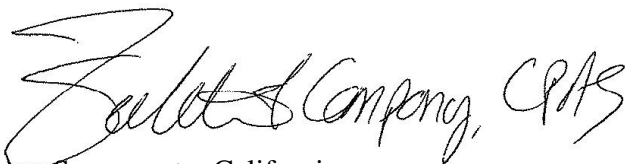
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the post-employment benefits and budgetary comparison information on pages 27-28 respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Carpinteria-Summerland Fire Protection District has not presented the Management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Fechter & Company,
Certified Public Accountants

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 and address of the firm.

Sacramento, California
February 12, 2015

BASIC FINANCIAL STATEMENTS

CARPINTERIA-SUMMERLAND FIRE PROTECTION DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014

ASSETS

Cash and investments	\$ 3,911,742
Accounts receivable	162,495
Interest receivable	3,914
Deposits with others	1,513
 Capital assets, net	 <u>1,425,127</u>
 Total Assets	 <u>5,504,791</u>

LIABILITIES

Accrued expenses and accounts payable	471,211
Compensated absences	312,000
Current portion of capital leases	<u>52,027</u>
 Total Current Liabilities	 835,238
 Long-term liabilities:	
Compensated absences	249,615
Other post-employment benefits	103,519
Capital leases - long-term	<u>164,143</u>
 Total Liabilities	 <u>1,352,515</u>

NET POSITION

Invested in capital assets, net of related debt	1,208,957
Restricted	96,585
Unrestricted	<u>2,846,734</u>
 Total Net Position	 <u>\$ 4,152,276</u>

The accompanying notes are an integral part of these financial statements

**CARPINTERIA-SUMMERLAND FIRE PROTECTION DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

Functions/Programs	Expenses	Program Revenues			Net (Expense), Revenue and Change in Net Position
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	
Governmental Activities:					
Public Protection	\$ 8,200,024	\$ 234,021	\$ -	\$ -	\$ (7,966,003)
Total Governmental Activities	<u>\$ 8,200,024</u>	<u>\$ 234,021</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(7,966,003)</u>

General Revenues

Taxes and assessments	7,359,924
Licenses, permits, and fees	35,165
Interest income	22,998
Rental income	45,187
Intergovernmental	996,496
Miscellaneous	62,040
Loss on disposal of fixed assets	<u>(50,681)</u>
Total general revenues	8,471,129
Change in net position	<u>505,126</u>
Net position at beginning of fiscal year	<u>3,647,150</u>
Prior period adjustment	<u>-</u>
Net position at end of fiscal year	<u><u>\$ 4,152,276</u></u>

The accompanying notes are an integral part of these financial statements

**CARPINTERIA-SUMMERLAND FIRE PROTECTION DISTRICT
BALANCE SHEET
JUNE 30, 2014**

	General Fund	Capital Project Fund	Capital Replacement Fund	Combined Total
ASSETS				
Cash and investments	\$ 3,451,276	\$ 111,545	\$ 348,921	\$ 3,911,742
Accounts receivable	119,579	109	42,807	162,495
Interest receivable	3,561	-	353	3,914
Deposits with others	1,513	-	-	1,513
	<u>3,575,929</u>	<u>111,654</u>	<u>392,081</u>	<u>4,079,664</u>
Total Assets	<u>\$ 3,575,929</u>	<u>\$ 111,654</u>	<u>\$ 392,081</u>	<u>\$ 4,079,664</u>
LIABILITIES				
Accounts payable	\$ 471,211	\$ -	\$ -	\$ 471,211
	<u>471,211</u>	<u>-</u>	<u>-</u>	<u>471,211</u>
Total Liabilities	<u>471,211</u>	<u>-</u>	<u>-</u>	<u>471,211</u>
FUND BALANCES				
Fund Balances				
Assigned fund balance	-	96,585	390,594	487,179
Committed fund balance	440,300	-	-	440,300
Unassigned	2,664,418	15,069	1,487	2,680,974
	<u>3,104,718</u>	<u>111,654</u>	<u>392,081</u>	<u>3,608,453</u>
Total Fund Balances	<u>3,104,718</u>	<u>111,654</u>	<u>392,081</u>	<u>3,608,453</u>
Total, Liabilities and Fund Balances	<u>\$ 3,575,929</u>	<u>\$ 111,654</u>	<u>\$ 392,081</u>	<u>\$ 4,079,664</u>

The accompanying notes are an integral part of these financial statements

**CARPINTERIA-SUMMERLAND FIRE PROTECTION DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2014**

Total fund balances - governmental funds	\$ 3,608,453
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In governmental funds, only current assets are reported.
In the statement of net position, all assets are reported,
including capital assets and accumulated depreciation.

Capital assets at historical cost, net	1,425,127
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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 compensated absences	(561,615)
Other post-employment benefits	(103,519)
Capital leases	(216,170)
	(881,304)

Net position of governmental activities	\$ 4,152,276
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The accompanying notes are an integral part of these financial statements

CARPINTERIA-SUMMERLAND FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2014

	General Fund	Capital Project Fund	Capital Replacement Fund	Totals
Revenues:				
Property taxes	\$ 7,359,924	\$ -	\$ -	\$ 7,359,924
Licenses, permits, and fees	34,904	261	-	35,165
Investment income	19,697	755	2,546	22,998
Rental income	45,187	-	-	45,187
Intergovernmental	996,496	-	-	996,496
Charges for services	19,285	44,692	170,044	234,021
Miscellaneous	54,040	-	8,000	62,040
Total revenues	<u>8,529,533</u>	<u>45,708</u>	<u>180,590</u>	<u>8,755,831</u>
Expenditures:				
Current				
Salaries and benefits	6,611,804	-	-	6,611,804
Services and supplies	1,322,605	30,639	30,046	1,383,290
Capital outlay	39,500	-	45,617	85,117
Debt service:				
Principal	8,429	-	94,371	102,800
Interest	7,017	-	9,069	16,086
Total expenditures	<u>7,989,355</u>	<u>30,639</u>	<u>179,103</u>	<u>8,199,097</u>
Excess of revenues over expenditures	<u>540,178</u>	<u>15,069</u>	<u>1,487</u>	<u>556,734</u>
Other financial sources:				
Proceeds from capital leases	-	-	-	-
Total other financial sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenue and other sources over expenditures	540,178	15,069	1,487	556,734
Fund balances - July 1, 2013	<u>2,564,540</u>	<u>96,585</u>	<u>390,594</u>	<u>3,051,719</u>
Fund balances - June 30, 2014	<u><u>\$ 3,104,718</u></u>	<u><u>\$ 111,654</u></u>	<u><u>\$ 392,081</u></u>	<u><u>\$ 3,608,453</u></u>

The accompanying notes are an integral part of these financial statements

**CARPINTERIA-SUMMERLAND FIRE PROTECTION DISTRICT
RECONCILIATION OF THE STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

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 Position of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCES	\$ 556,734
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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	85,117
Depreciation expense not reported in governmental funds	(138,514)
Loss on disposal of fixed assets	(50,681)

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 compensated absences	(27,276)
Long-term debt payments	102,800
Increase in other post-employment benefits payable	<u>(23,054)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 505,126</u></u>
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The accompanying notes are an integral part of these financial statements

NOTES TO THE BASIC FINANCIAL STATEMENTS

CARPINTERIA –SUMMERLAND FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Carpinteria-Summerland Fire Protection District (the District) is an independent division of local government authorized by California Health and Safety Code Sections 13800-13970. The District is governed by a Board of Directors appointed to serve four-year terms or until successors are appointed and qualified. These financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. There are no component units included in this report which meet the criteria of a blended or discretely presented component unit as set forth by the Governmental Accounting Standards Board (GASB), which is the accepted standard –setting body for establishing governmental accounting and financial reporting principles.

Government-Wide – Basis of Presentation, Measurement Focus and Basis Accounting

Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments (GASB 34)* was issued to improve governmental financial reporting for citizens, district representatives, and creditors involved in the lending process. GASB 34 requires that a government entity present in its basic external financial statements both government-wide financial statements and fund financial statements, excluding fiduciary funds. Governments engaged in a single government program may combine their fund financial statement with their government-wide statements by using a columnar format that reconciles individual line items of fund financial data in a separate column.

GAAP requires that the government-wide financial statements be reported using the economic resources measurement focus and the accrual basis of accounting. In comparison, governmental funds employ the current financial resources measurement focus and the modified accrual basis of accounting. The economic resources measurement focus aims to report all inflows, outflows, and balances affecting or reflecting an entity's net position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when incurred for activities related to exchange and exchange-like activities. In addition, long-lived assets (such as buildings and equipment) are capitalized and depreciated over their estimated economic lives.

The accounts of the District are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

CARPINTERIA –SUMMERLAND FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund-Basis of Presentation, Measurement Focus and Basis of Accounting

Governmental Funds are used to account for the District’s general governmental activities. Governmental funds use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are “measureable and available”). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers all revenues available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt, which is recognized when the obligations are expected to be liquidated with expendable available financial resources.

Property taxes and interest associated with the current fiscal year are susceptible to accrual and so have been recognized as revenue of the current fiscal year. Other receipts and taxes are determined to be both measureable and available when cash is received by the District and are recognized as revenue at that time.

Secured property taxes are levied in September of each year based upon the assessed valuation as of the previous January 1 (lien date). They are payable in two equal installments due on November 1 and February 1 and are considered delinquent with penalties after December 10 and April 10, respectively. Unsecured property taxes are due on the January 1 lien date and become delinquent with penalties after August 31. All property taxes are billed and collected by the County of Santa Barbara and remitted to the District.

The District maintains the following governmental funds:

The **General Fund** is the operating fund of the District. It accounts for all the financial resources and the legally authorized activities of the District except those required to be accounted for in another fund.

The District’s **Capital Projects Fund** accounts for revenues associated with the fire protection mitigation fees and is restricted to capital asset acquisition or construction approved by local ordinances.

The District’s **Capital Replacement Fund** accounts for revenues associated with a service agreement and other revenue sources to fund the replacement of major capital assets.

CARPINTERIA –SUMMERLAND FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

The District maintains substantially all its cash in the Santa Barbara County Treasurer's cash management investment pool (the pool).

State statutes and the County of Santa Barbara's (the County) investment policy authorize the County Treasurer to invest in U.S. Treasury and U.S. Government agency securities; state and/or local agency bonds, notes, warrants or certificates of indebtedness; bankers' acceptances; commercial paper; corporate bonds and notes' negotiable certificates of deposit; repurchase agreements; reverse repurchase agreements; securities lending; bank deposits; money market mutual funds; State of California Local Agency Investment Fund (LAIF); and the Investment Trust of California (CalTrust). Interest earned on pooled investments is apportioned quarterly into participating funds based upon each fund's average daily deposit balance. Any investment gains or losses are proportionately shared by all funds in the pool.

Investments held by the County Treasurer are stated at fair value. The fair value of pooled investments is determined quarterly and is based on current market prices received from the securities custodian. The fair value of participants' position in the pool is the same as the value of the pool shares. The method used to determine the value of participants' equity withdrawn is based on the book value of the participants' percentage participation at the date of such withdrawal.

The pool's disclosures related to cash and investments including those disclosures regarding custodial credit risk are included in the County's Comprehensive Annual Financial Report. A copy may be obtained online from the Auditor-Controller section of the County's website.

Receivables

All receivables are deemed to be collectible at June 30, 2013, and as such, the District has no allowance for uncollectible accounts for these receivables.

CARPINTERIA –SUMMERLAND FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets

Capital assets are recorded in the District’s Statement of Net Position and Governmental Funds Balance Sheet in the Statement of Net Position column at cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation. The costs of normal maintenance that do not add to the value of the assets or materially extend assets’ lives are expensed as incurred. The District’s capitalization threshold is \$5,000. Capital assets are depreciated at cost using the straight-line method over the following estimated useful lives:

- | | |
|--------------------------------------|----------------|
| • Structures and Improvements | 5 to 100 years |
| • Equipment, Furniture, and Vehicles | 1 to 25 years |
| • Computers and Computer Equipment | 1 to 10 years |
| • Communications Equipment | 1 to 15 years |

Compensated Absences

District policy permits employees to accumulate earned but unused holiday and vacation leave benefits, as well as a portion of sick leave benefits. After 20 years of service, twenty-five percent of accumulated sick leave benefits vest and are accounted for in the same manner as holiday and vacation leave benefits. There is no liability for the remaining portion of sick leave since the District does not have a policy to pay these amounts when employees separate from service with the District. All holiday and vacation pay, and the applicable portion of sick pay, is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements prior to year-end and are paid by the District subsequent to year-end.

CARPINTERIA –SUMMERLAND FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Compensation

The District offers a deferred compensation plan to its employees. The District has adopted provisions of GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans (GASB 32)*, which establishes financial accounting and reporting standards based on current amendments to the provisions of Internal Revenue Code (IRC) Section 457. Under IRC 457, plan assets are not owned by the governmental entity, and as a result, governmental entities are required to remove plan assets and plan liabilities from their financial statements.

The District has no administrative involvement, does not perform the investing function, and has no fiduciary accountability for the plan. Thus, in accordance with GASB 32, the plan assets and any related liability to plan participants have been excluded from the District's financial statements.

Other Post-Employment Benefits

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, addresses how governmental entities should account for and report their costs and obligations related to postemployment benefits, or OPEB. The District offers postretirement medical, dental, and vision benefits. The statement generally requires that employers account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Annual OPEB cost for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they came due. The District has implemented the requirements of GASB Statement No. 45 on a prospective basis.

GASB Statement No. 45 also establishes disclosure requirements for information about the plans in which an employer participates, the funding policy followed, the actuarial valuation process and assumptions, and, for certain employers, the extent to which the plan has been funded over time.

Fund Balances and Net Position

Fund Balances are governed under GASB 54 which is discussed later in this footnote. The government-wide financial statements utilize a net position presentation. Net position is categorized as Invested in Capital Assets, Restricted, and Unrestricted Net Position. Invested in Capital Assets represents the government's equity interest in its capital assets. Restricted Net Position are reported when

CARPINTERIA –SUMMERLAND FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

constraints placed on net position are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Unrestricted Net Position represents net position of the District that are not restricted for any project or other purpose. When both restricted and unrestricted resources are available, restricted resources are depleted first before the unrestricted resources are used.

Memorandum Only – Total Columns

Total columns in the Statement of Net Position and Governmental Funds Balance Sheet and the Statement of Activities and Governmental Revenues, Expenditures and Changes in Fund Balances are captioned as “Memorandum Only” as they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects the financial position or results of operations of the District in conformity with GAAP.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Fund Balances

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

Under GASB 54, fund balance for governmental funds should be reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those 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.

**CARPINTERIA –SUMMERLAND FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- 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.

Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position

The District adopted the provisions of GASB Statement No. 63 (GASB 63), *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* for the year ended June 30, 2013. GASB 63 provides financial reporting guidance for deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. It also identifies net position as the residual of all other elements presented in a statement of financial position, or the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. As implied above, GASB 63 changes the previous classification of net assets to net position, and consequently, the statement of net assets to the statement of net position. The District had no deferred inflows or outflows of resources as of June 30, 2014.

NOTE 2: CASH AND INVESTMENTS

Investment in the Santa Barbara County Investment Pool

The District is an involuntary participant in the Santa Barbara County Treasurer’s investment pool that is regulated by California Government Code under the oversight of the Treasurer of the State of California. The balance available for withdrawal is based on the accounting records maintained by the Santa Barbara County Treasurer. As of June 30, 2013, the District had cash on deposit with the Santa Barbara County Treasurer in the amount of \$3,911,742.

Investments Authorized by District Policy

The District has not formally adopted a deposit and investment policy that limits the government’s allowable deposits or investment and addresses the specific types of risk to which the government is exposed.

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. At fiscal year end, the

CARPINTERIA –SUMMERLAND FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 2: CASH AND INVESTMENTS (continued)

weighted average days to maturity of the investments contained in the County investment pool was approximately 445 days.

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 firm. The Santa Barbara County Treasurer’s investment pool currently holds an AAf/S1 credit rating by Standard and Poor’s.

Custodial Credit Risks

Custodial credit risk does not apply to a local government’s indirect investment in deposits and securities through the use of government investment pools (such as the Santa Barbara County Treasurer’s investment pool).

NOTE 3: CAPITAL ASSETS

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

	<u>Balance June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2014</u>
Capital assets, not being depreciated				
Land	\$ 80,288	\$ -	\$ -	\$ 80,288
Construction in progress	526,908	48,730	526,908	48,730
Total capital assets, not being depreciated	<u>607,196</u>	<u>48,730</u>	<u>526,908</u>	<u>129,018</u>
Capital assets, being depreciated				
Structures and improvements	617,522	-	-	617,522
Equipment	1,950,860	563,295	410,357	2,103,798
Total capital assets, being depreciated	<u>2,568,382</u>	<u>563,295</u>	<u>410,357</u>	<u>2,721,320</u>
Less accumulated depreciation for:				
Structures and improvements	(335,159)	(9,304)	-	(344,463)
Equipment	(1,311,214)	(129,210)	(359,676)	(1,080,748)
Total accumulated depreciation	<u>(1,646,373)</u>	<u>(138,514)</u>	<u>(359,676)</u>	<u>(1,425,211)</u>
Total capital assets, being depreciated, net	<u>922,009</u>	<u>424,781</u>	<u>50,681</u>	<u>1,296,109</u>
Total capital assets, net	<u>\$ 1,529,205</u>	<u>\$473,511</u>	<u>\$577,589</u>	<u>\$ 1,425,127</u>

Depreciation expense amounted to \$138,514 for the fiscal year ended June 30, 2014, the entire amount was charged as public protection in the statement of activities.

CARPINTERIA –SUMMERLAND FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 4: LEASES

Capital Lease Obligations

The District has entered into certain capital lease arrangements under which the related equipment will become the property of the District when all terms of the lease agreements are met.

Capital lease obligations:

	Balance July 1, 2013	Additions	Deletions	June 30, 2014	Due in 1 Year
Pierce Arrow Fire Truck	\$ 43,633	\$ -	\$ 43,633	\$ -	\$ -
2013 Pierce Arrow	266,908	-	50,738	216,170	52,027
Medtronic LIFEPAKS	8,429	-	8,429	-	-
Total capital lease obligations	<u>\$ 318,970</u>	<u>\$ -</u>	<u>\$ 102,800</u>	<u>\$ 216,170</u>	<u>\$ 52,027</u>

The following is a schedule of aggregate future minimum lease payments, payable from the District's General Fund, Capital Projects Fund, and Capital Replacement Fund as of June 30, 2013.

Year Ending June 30,	Amount
2015	\$ 57,518
2016	57,517
2017	57,517
2018	57,516
Total minimum lease payments	230,068
Less: amount representing interest	(13,898)
Total present value of minimum lease payments	<u>\$ 216,170</u>

The following is a schedule of capital assets under capital leases by major class at June 30, 2014.

	Balance
Equipment	\$ 526,908
Less: Accumulated depreciation	(35,127)
Total capital assets under capital lease, net	<u>\$ 491,781</u>

**CARPINTERIA –SUMMERLAND FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 4: LEASES (continued)

Operating Lease as Lessee

The District entered into a five year non-cancelable lease agreement for commercial office space located in Carpinteria. The initial term of the lease was from July 1, 2007 to June 30, 2013, with an option to extend the term by sixty months. The lease option was extended for another five years during the June 30, 2013 fiscal year. The lease is contingent upon a monthly base rent of \$2,744, payable on the first of each month. Base rent is subject to fixed rental adjustments and shall increase at July 1 of each year. The District also leases a copier under a lease agreement expiring in the year 2015 with monthly payments of \$224.

The following is a schedule of future minimum lease payments required as of June 30, 2014:

Fiscal Year Ending June 30,	Total
2015	\$ 42,509
2016	41,708
2017	42,959
Total future minimum lease payments	<u>\$ 127,176</u>

The total rental expense, including common area operating expenses, for the year ended June 30, 2013 was \$49,864.

NOTE 5: COMPENSATED ABSENCES

The following is a summary of changes to the District’s liabilities related to compensated absences due within one year and due after one year:

	<u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2014</u>	<u>Due in 1 Year</u>
Compensated Absences	\$ 534,339	\$ 27,276	\$ -	\$ 561,615	\$ 249,615

CARPINTERIA –SUMMERLAND FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 6: RISK MANAGEMENT

The District is a participant in public risk pools with the *Fire Agencies Insurance Risk Authority* (FAIRA) and the *Special District Risk Management Authority* (SDRMA). FAIRA and SDRMA are organized pursuant to the provisions of the California Government Code Section 6500 et seq. for the purpose of providing an effective risk management program to local governments by reducing 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.

The District contributes its pro rata share of losses to pools administered by each authority. Should actual losses among the participants exceed the anticipated losses, the District and other members may be assessed for their pro rata share of that deficiency. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

General Liability

FAIRA provides the District with insurance-like benefits for general liability and excess liability coverage, automobile claims, management liability coverage, and property coverage for buildings, contents, and crime. During the fiscal year, the District contributed an annual premium of \$19,720 with limits ranging from \$1,000,000 to \$2,000,000 for each liability, and excess liability coverage of \$10,000,000.

Worker's Compensation

The District participates in a Worker's Compensation Program administered by SDRMA. The annual member contribution during the fiscal year was \$165,371 for the Workers' Compensation Program, with the limit of \$5,000,000 per occurrence for workers' compensation and statutory limit for employer's liability coverage.

CARPINTERIA –SUMMERLAND FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 7: RETIREMENT PLAN

Plan Description

The Santa Barbara County Employees' Retirement System (Retirement System) was established on January 1, 1944, and is administered by the Board of Retirement to provide service retirement, disability, death and survivor benefits for its employees and contracting districts. It is governed by the California Constitution, California State Government Code Section 31450 (County Employees' Retirement Law of 1937 ("CERL")), and the bylaws, policies and procedures adopted by the Retirement System's Board of Retirement. The Santa Barbara County Board of Supervisors may also adopt resolutions, as permitted by the CERL, which may affect the benefits of the Retirement System members. The Retirement System operates a cost sharing multiple-employer defined benefit plan. Members include all permanent employees working full time, or at least 50% part time for Santa Barbara County, and the following independent special districts: Carpinteria-Summerland Fire Protection District, Mosquito and Vector Control District of Santa Barbara County, Goleta Cemetery District, Santa Maria Cemetery District, Oak Hill Cemetery District, Carpinteria Cemetery District, Summerland Sanitary District, Air Pollution Control District, the Santa Barbara County Association of Governments (SBCAG), and the Santa Barbara County Superior Court.

The Retirement System has four County retirement plans of which three plans (consisting of five rate tiers) are currently available for new employees. All plans provide benefits as defined by the CERL upon retirement, death, or disability of members. Benefits are based on age, years of service, final average salary, and the benefit options selected. Cost-of-living adjustments after retirement are provided in all plans except General Plan 2.

Fiduciary Responsibility

The Retirement System, controlled by the Board of Retirement, is a fiduciary for the accounting and control of member and employer contributions, investment income and member benefits. The Board of Retirement is responsible for establishing policies governing the administration of the retirement plan and managing the investment of the Retirement System's assets under authority granted by Article XVI of the Constitution of the State of California. Article XVI, Section 17(a) provides the Retirement Board has the "sole and exclusive responsibility to administer the system in a manner that will assure prompt delivery of benefits and related services to the participants and their beneficiaries." Section 17(b) further provides that "Members of the Retirement Board of a public retirement system shall discharge their duties...solely in the interest of, and for the exclusive purpose of providing benefits to participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system. A Retirement Board's duty to its participants and their beneficiaries shall take precedence over any other duty."

CARPINTERIA –SUMMERLAND FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 7: RETIREMENT PLAN (continued)

The Board consists of nine members and two alternates. These positions are filled as follows: The County Board of Supervisors appoints four, members of the Retirement System elect six (including the two alternates) and the County Treasurer-Tax Collector is an ex-officio member. The Retirement System is a legally separate entity and is not a component unit of the County. It publishes its own Comprehensive Annual Financial Report and receives its own independent audit.

Additional detailed information and separately issued financial statements can be obtained from the Retirement System located at 3916 State Street, Suite 210, Santa Barbara, CA 93105.

Funding Policy

Contributions are made by members and employers at rates recommended by an independent actuary, approved by the Board of Retirement, and adopted by the County Board of Supervisors. General employees and firefighters are members of General Plan 5A and Safety Plan 4A, respectively. The employee contributions of plan members of General Plan 5A range from 2.60% to 5.37%. The employee contributions of plan members of Safety Plan 4A range from 4.83% to 8.5%. The District is required to contribute an actuarially determined employer rate; the employer rate is 18.82% for General Plan 5A and 31.60% for Safety Plan 4A members. Employee contribution rates are based upon each employee's age of entry. Member contributions cannot be withdrawn until separation from employment.

Annual Pension Cost

The annual required contribution for the current year was determined as part of an actuarial valuation performed as of June 30, 2014. The actuarial method was the entry age actuarial cost method. The significant actuarial assumptions include: (1) annual rate of return on investments of 7.50%; (2) inflation element in wage increases of 2.75%; and (3) projected salary increases of varying percentages based on service (duration) for merit and longevity. Under an open/rolling amortization method, the entire unfunded actuarial accrued liability is amortized over a constant period, in this case, 17 years. The amortization factor does not change from year to year unless the discount rate or salary assumption is changed.

Three Year Trend Information

The District's contributions for the fiscal year ended June 30, 2014, were \$1,711,900 which is equal to required contributions for the fiscal year.

CARPINTERIA –SUMMERLAND FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 8: OTHER POST EMPLOYMENT BENEFITS

Plan Description

The District's agent multiple-employer defined benefit postemployment healthcare plan (OPEB Plan) is administered by the Santa Barbara County Employees' Retirement System (Retirement System). The OPEB Plan provides medical benefits to eligible retired District and other employer plan sponsors' employees, as well as to their eligible dependents, pursuant to California Government Code Section 31694 et. seq. Other employer plan sponsors include Santa Barbara County, Goleta Cemetery District, Santa Maria Cemetery District, Carpinteria Cemetery District, Summerland Sanitary District, Santa Barbara County Air Pollution Control District, Santa Barbara County Association of Governments, and the Santa Barbara County Superior Court.

In September 2008, the District and the Retirement System adopted an Internal Revenue Code (IRC) Section 401(h) account that provides for these benefits. Under GASB Statement 43, *Reporting for Post-Employment Benefit Plans Other Than Pension Plans* and GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, the liability related to the plan is required to be determined for both retirement systems and employers. GASB Statement 43 and 45 are not limited to the reporting of vested benefits.

Additional detailed information and separately issued financial statements can be obtained from the Retirement System located at 3916 State Street, Suite 210, Santa Barbara, CA 93105.

Plan Benefits

Retirees are offered the same health plans as active District employees, as well as enhanced senior plans for retirees on Medicare. Retiree premiums are rated separately from active District employees; as such, the District does not have a retiree premium implicit rate subsidy.

Pursuant to the OPEB Plan, the District provides a monthly insurance premium subsidy of \$15 (whole dollars) per year of credit service from the 401(h) account for Eligible Retired Participants participating in a District-sponsored health insurance plan. The monthly insurance premium subsidy is applied directly by the Retirement System to pay the premium and is not paid to the retiree or other party. The maximum amount paid in any month does not exceed the premium; any amount in excess of the premium is forfeited.

CARPINTERIA –SUMMERLAND FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 8: OTHER POST EMPLOYMENT BENEFITS (continued)

If an Eligible Retired Participant does not participate in the District-sponsored health insurance plan, then the Retirement System reimburses the Eligible Retired Participant for other medical care expenses. The maximum monthly amount paid is \$4 (whole dollars) per year of credited service.

If a member is eligible for a disability retirement benefit, the member can receive a monthly health plan subsidy of \$187 (whole dollars) per month or a subsidy of \$15 (whole dollar) per month per year of service, whichever is greater. This subsidy is treated as a nontaxable amount to the disabled recipient.

Survivors of Eligible Retired Participants (Spouses and Dependents) continue to receive a subsidy proportionate to their percentage of the retiree's pension benefit (if any).

Funding Policy

The District and other participating employer plan sponsors individually determine their separate contributions to the Retirement System to fund the OPEB Plan. The District has adopted a pay-as-you-go basis for funding retiree medical benefits.

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over an open/rolling 30 year period.

For fiscal year ended June 30, 2014, the OPEB ARC was \$148,318, or approximately 4% of the District's estimated annual covered payroll. This includes the normal costs for the year for current active employees of \$59,929, and \$88,389 for UAAL amortization. The District's contribution to the OPEB Plan for fiscal year ended June 30, 2014 was \$125,264.

**CARPINTERIA –SUMMERLAND FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 8: OTHER POST EMPLOYMENT BENEFITS (continued)

The following are the components of the District’s annual OPEB cost for the fiscal year ended June 30, 2014:

Annual required contribution	\$ 148,318
Contribution made	<u>(125,264)</u>
Increase in net OPEB obligation	23,054
Net OPEB obligation – beginning of year	<u>80,465</u>
Net OPEB obligation – end of year	<u><u>\$ 103,519</u></u>
Percentage of ARC contributed	84.46%

Funding Status and Funding Process:

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress will, in subsequent fiscal years, present multiyear trend information that shows whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Using the most recent actuarial valuation dated June 30, 2014, the following is the funded status of the OPEB Plan:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
06/30/2014	\$0	\$2,522,632	\$2,522,632	0%	\$3,512,868	71.81%

CARPINTERIA –SUMMERLAND FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 8: OTHER POST EMPLOYMENT BENEFITS (continued)

Actuarial Methods and Assumptions:

Projections of benefits are based on the types of benefits provided under the substantive plan (the plan as understood by the employer and plan members) at the time of each valuation and on the pattern of sharing of benefit costs between the employer and plan members to that point. Additionally, the projections of benefits for financial reporting purposes do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and the plan members in the future.

The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2014 actuarial valuation, the entry-age actuarial cost method was used. The actuarial assumptions included a 4% investment rate of return (net of investment expenses). The OPEB Plan's AAL is being amortized as a level percentage of projected payroll on a 30 year open/rolling basis.

NOTE 9: RESTRICTED NET POSITION

Restricted net position of \$96,585 at June 30, 2014 represent restrictions imposed by the City of Carpinteria Code Chapter 8.26.100 and County of Santa Barbara Code Chapter 15-65 regarding the purpose and use of mitigation fees. Both codes stipulate that funds collected from fire protection mitigation fees are restricted in use for the costs of purchasing, constructing or improving public facilities necessary in providing fire protection services. Such public facilities may include: equipment, apparatus, buildings, and structures.

NOTE 10: COMMITMENTS AND CONTINGENCIES

Grant Revenues

The District recognizes as revenues grant monies earned for costs incurred in certain Federal and State programs the District participates in. The program may be subject to financial and compliance audits by the reimbursing agency. The amount, if any, of the expenditures which may be disallowed by the granting agency cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

CARPINTERIA –SUMMERLAND FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 11: SUBSEQUENT EVENTS

In accordance with FASB Accounting Standards Codification Topic 855, Subsequent Events, the District has evaluated subsequent events through February 12, 2015, which is the date these financial statements were available to be issued. All subsequent events requiring recognition as of June 30, 2014 have been incorporated into these financial statements herein. On November 18, 2014 the District entered into a security agreement with Zoll Medical Corporation. In consideration for the extension of credit, the District grants a purchase money security interest in and assigns to Zoll Medical Corporation collateral of presently owned or future acquired goods and equipment to secure payment for all purchases from Zoll Medical Corporation. Zoll Medical Corporation's purchase money security interest is explicitly limited to outstanding obligations between Zoll Medical Corporation and the District.

REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)

**CARPINTERIA-SUMMERLAND FIRE PROTECTION DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Property taxes	\$ 7,236,221	\$ 7,338,590	\$ 7,359,924	\$ 21,334
Licenses, permits, and fees	43,000	37,533	34,904	(2,629)
Investment income	6,000	4,864	19,697	14,833
Rental income	23,000	51,042	45,187	(5,855)
Intergovernmental	509,905	548,326	996,496	448,170
Charges for services	11,000	18,913	19,285	372
Miscellaneous	4,000	53,645	54,040	395
Total revenues	<u>7,833,126</u>	<u>8,052,913</u>	<u>8,529,533</u>	<u>476,620</u>
Expenditures:				
Current				
Salaries and benefits	6,805,036	6,522,998	6,611,804	(88,806)
Services and supplies	1,291,100	1,345,180	1,322,605	22,575
Capital outlay	-	16,714	39,500	(22,786)
Debt service:				
Principal	16,000	13,711	8,429	5,282
Interest	800	314	7,017	(6,703)
Total expenditures	<u>\$ 8,112,936</u>	<u>\$ 7,898,917</u>	<u>7,989,355</u>	<u>\$ (90,438)</u>
Net change in fund balances			<u>540,178</u>	
Fund balances - July 1, 2013			<u>2,564,540</u>	
Fund balances - June 30, 2014			<u>\$ 3,104,718</u>	

See accompanying footnote

CARPINTERIA-SUMMERLAND FIRE PROTECTION DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
JUNE 30, 2014

NOTE 1: BUDGETARY AND LEGAL COMPLIANCE

In accordance with California Health and Safety Code Section 13895, on or before October 1, the District must submit a board approved budget to the County Auditor. Annual budgets are adopted for the District's general, capital projects and capital replacement funds. Budgets are prepared on the modified accrual basis of accounting consistent with GAAP. Annually the Board of Directors conducts a public hearing for the discussion of proposed budgets. At the conclusion of the hearing, the Board adopts the final budgets. All appropriations lapse at fiscal year-end and are subject to re-appropriation as part of the following year's budget. The legal level of budgetary control (the level on which expenditures may not legally exceed appropriations) is maintained at the object level. Any changes in the annual budget must be changed by a vote of the Board.